Organic Harvest:
An Action Plan for Building the
Illinois Organic Food System

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Table of Contents

1.1 Project Overview and Team 5
1.2 The State of Organics 6
1.3 Study Methods 7
1.4 Market Review 7
1.4.1 Demand for Organic Food & Growth of Market Size 7
1.4.2 Supply of Local Organic Food 8
2.0 The State of the Illinois Food System: Challenges and Opportunities 9
2.1 Production Capacity 9
The Need for Organic Farmers 10
Key Finding 11
2.2 Supply Chains 11
2.2.1 The Universe of Organic Food Supply Chains 11
Organic Food Category 12
2.2.2 Organic Food Supply Chains in Illinois 13
Fresh Produce, Direct Sales 13
Restaurants 14
Suppliers 15
Supermarkets 15
Grain Handlers 15
Meat and Poultry 16
Milk 17
Food Processing 17
2.3 Constraints in the Supply Chains 18
Key Findings 18
Distribution 18
Sales and Marketing 19
Food Processing 19
2.4 Agricultural Policy 19
Key Findings 20
2.5 Farm Credit 21
Key Findings 23
2.6 Grower Training and Education 23
Key Findings 24
3.0 Findings and Conclusions 25
3.1 Evaluation of Production Capacity 25
3.2 Evaluation of Existing Infrastructure 27

3.3 Assessments of Strengths, Weaknesses, Opportunities, and Threats to the Illinois Organic Food System 29
Strengths 29
Weaknesses 30
Opportunities 30
Threats 31
4.0 Recommendations 32
4.1 Private Sector 32
4.2 Farm Sector 34
4.3 Public Sector 35
State 35
Federal 36
City 35
University/Extension 36
4.4 Public-Private Partnership 36
4.5 Economic Evaluation 37
4.5.1 Organic meat processing plant 38
Scenario 1 38
Scenario 2 39
Scenario 3: 39
4.5.2 Organic Food Warehousing Facility 40
4.5.3 Year Round Public Market 42
Milwaukee Public Market 43
5.0 Future Uses and Benefits Derived from the Study 46
5.1 Policy and Decision Making 46
5.2 Public and Private Investment 46
5.3 Business, Government, Philanthropic and NGO Collaboration 47
6.0 Survey Methods 48
6.1 Focus Groups 48
a). Food Security Summit, 2002 48
b). Illinois Specialty Food Growers Conference, 2003 48
c). Upper Midwest Organic Farming Conference, 2003 48
d). Illinois Specialty Growers Conference, 2004 48
e). Organic Crop Improvement Association (OCIA), 2004 49
f). Regional Planning Forum, 2004 49
6.2 Surveys 50
a). Farmers 51
b). Chefs and Chef Proprietors 52
c). Organic Food Distributors 52

6.3 Description of Data Sources 53
USDA and State Ag Statistics 53
Industry Statistics 53
Other Secondary Statistics 54
Agricultural Mapping 54
6.4 Potential Sources of Financing 54
Equity Financing 55
Debt Financing 55
Financing for Nonprofits 56
Leasing 56
U.S. Government Programs 56
State of Illinois Programs 57
Financing Support at the Local Level 59
Comprehensive Guides for Financial Resources 59

Agricultural Mapping Overview 60

Appendix 1……..……61

Agricultural Maps

Appendix 2……..69

Summary of Data from Focus Groups

1.1 Project Overview and Team

Sustain was funded to complete a feasibility study to determine the needs of Illinois farmers in the areas of distribution, marketing and infrastructure, in order to create a viable organic food system. This study reflects three years of focus groups, surveys and one-on-one discussions with farmers, food buyers, supermarkets, consumers, distributors, food processors, restaurants and other stakeholders concerned about developing adequate production, distribution and marketing of local organic food. In conjunction with our pro-bono technology partner, NAVTEQ, we have mapped organic farms, processors, and distributors in Illinois, Indiana, Iowa, Michigan, and Wisconsin. Using the data gathered, we have prepared this report to evaluate the needs and opportunities in the organic food industry. Our goal with this report is to educate consumers, policymakers, business leaders, funders and the media about opportunities to use regional organic food production as a tool to promote job creation and economic development in an environmentally sound manner.

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1.2 The State of Organics

How hot is organic food? The Wall Street Journal did a story on the organic supermarket chain, Whole Foods Market, and claimed that its new stores add significant value to nearby condos in New York City, Chicago, San Francisco, Miami, Seattle, and other urban markets. As the pioneering global retailer in this niche, the success of Whole Foods Market gives credence to the transformation of the organic food industry. The chain now has sales over $4.5 billion dollars and recently joined the Fortune 500 as the darling of the supermarket industry. Yet despite its growth, Whole Foods Market no longer reigns supreme in organics. In an interview with Sustain President, Jim Slama, Whole Foods CEO, John Mackey said that, "Wal-Mart is now the largest seller of organic food in the world."

The action in organics isn't limited to food. McDonald's recently announced that it was adding fair trade, organic coffee to the menu of 650 of its New England stores. This is the first phase of a national rollout of organic coffee for the restaurant chain, which hopes to go head to head with Starbucks by using organic coffee as a hook.

For the past 15 years, organics have been the fastest growing sector in the entire food industry, posting 20% annual growth. In 1990, the USDA estimates that the sector sold about a billion dollars in food. The Organic Trade Association estimated that $14.4 billion in organic food was sold in 2005.[1]

Here in the Midwest, the Organic Valley cooperative has proved that the niche is also great for farmers. Its 2005 sales exceeded $240 million and the company now includes over 750 family farmers as owners. More than half of these producers are in Illinois, Wisconsin, Minnesota and Iowa and the company has provided tremendous economic and job development in rural areas throughout the region.

Yet over the past three years, Sustain has examined organic production and processing in Illinois and has come to the conclusion that the state is not achieving its potential in the organic sector. As we began to gather data, it became increasingly clear that the organic sector in Illinois was not immediately capable of supplying even a small percentage of the organic food consumed in the state. While Illinois has a good contingent of organic farms, most of them produce grains and soybeans for commodity markets. There are only a few organic farmers providing vegetables, fruits and meats—particularly with enough supply to meet the demand for these products from millions of Chicago area consumers. While there are a few Illinois companies and farms doing exceptional work in organics, we believe there is a long way to go to move Illinois into position as a leader in the sector.

Our goal with this work is to provide an action plan to move Illinois towards national leadership in the organic sector.

[1] Manufactures Survey. (2004). Organic Trade Association.

1.3 Study Methods

The study utilized five distinct methods to gather data:

a) Four focus groups were held with farmers, processors, academics and other local food advocates. Participants were asked a series of questions to determine the current state of Illinois' organic food system. Their responses were then used to construct a survey that was sent to farmers, retail buyers and chefs.
b) Surveys were conducted with farmers, distributors and chefs by both mail and telephone. The farmer group was further segmented into certified organic growers, farmers market growers and specialty growers.
c) Secondary research for industry, government and media sources was conducted to increase the depth and breadth of data available for analysis.
d) Regional data on organic production and processing was used to construct maps to determine trends and gaps in the organic food system.
e) CEO's of leading organic companies were interviewed to determine their assessment of the production, distribution and marketing landscape.

1.4 Market Review

1.4.1 Demand for Organic Food & Growth of Market Size

According to the Natural Foods Merchandiser's 2005 Market Overview, Illinois and its neighboring states of Michigan, Wisconsin, Indiana, Ohio, Iowa and Missouri, make up 15% of the national market for natural and organic food. Since 15% of $14.4 billion in organic sales is $2.160 billion, we believe there is a plausible case that organic food sales in Illinois and its Midwestern neighbors exceeded $2 billion in 2005.[2]

In Illinois we estimate that retail sales of organic food ranges from $470 to $627 million. We arrived at this conclusion by doing a per capita consumption analysis.

Total US Organic Sales	$14.4 Billion
Percentage of Illinois population vs. total US population	4.3%
Illinois Organic food sales at 100% per capita consumption	$627 million
Illinois organic food sales at $75% per capita consumption	$470 million

Most of the sales of organic food in Illinois occur in the Chicago area where there is tremendous consumer demand. The pioneering organic retailer, Whole Foods Market, is planning to supplement their nine existing stores in the Chicago area with three new stores currently in the

[2] Market Overview. (2005, June). *The Natural Food Merchandiser*.

planning stages. And, mainstream retailers like Dominick's, Jewel, Schnuck's, Dierbergs, Cub Foods, Sunset Foods, Certified Land and Kroger Foods are adding major new organic sections in their stores throughout the state.

A full spectrum of stores in Illinois are selling organics. Chicago area independent stores, Sunset Foods, Treasure Island, Caputo's and Stanley's have all expanded their organic shelf space. In addition, mega stores are also moving into the sector. Wal-Mart, Target and Costco have all placed organic food on their shelves. This trend has not gone unnoticed by the discounters and suppliers in the retail food space. SUPERVALU has launched a specialty produce arm, W. Newell & Co. and it opened its first organic and natural food store, Sunflower Market, in Indianapolis in January of 2006. Sunflower also announced plans to build a store in the Lincoln Park neighborhood of Chicago.

The market for organics is also booming with restaurants, food service and institutional buyers. This is reflected by the decision of the Chicago based organic supplier, Goodness Greeness to add a food service division. "The demand for organic food in this sector is tremendous," says Goodness CEO, Bob Scaman. "When high schools are interested in adding organic vending machines you know there is a big shift going on. And in many cases, the buyers not only want organic, but they also want products from family farms grown in the region. Now we just have to find the farmers to supply it."

1.4.2 Supply of Local Organic Food

Very little of the organic food consumed in the Chicago area comes from Illinois. Most of it comes from California, Mexico and other far away locations. This was first shown in a study commissioned by the Prairie Crossing conservation community, which examined the Chicago area market for organic produce in 2001. The analysis indicated that more than 95% of the organic produce sold in the Chicago area came from out of the region.[3]

In 2005, we spoke to produce buyers at Whole Foods Market and Goodness Greeness, the two largest buyers of organic food in the Midwest, to assess their level of local organic purchasing. While each company has significantly increased their levels of local organic purchasing in the past two years, they still purchase the vast majority of their produce from farms that are out of the region. The local supply is just not there.

Using information provided by organic certifiers that work with Illinois producers, Sustain and NAVTEQ, Inc. have developed a series of maps to analyze the trends associated with organic production in the state. Based on this data, we determined that only 20 percent of all organic producers in the state are currently growing organic vegetables. Most of these vegetable farmers sell directly to consumers and do not produce enough to sell to distributors or to supermarket chains that could move large volumes of the locally produced vegetables. The same situation can

[3] Birkerts, E. (2001). "*The Local Opportunity for Organic Produce: An Objective Business Analysis"*.

be seen with organic meats. Only 10 percent of Illinois farmers sell certified organic beef, pork or poultry and most of the sales are through farmers markets, on farm sales, or other programs selling directly to consumers. Little is sold through retail or wholesale channels.

2.0 The State of the Illinois Food System: Challenges and Opportunities

2.1 Production Capacity

The production capacity of Illinois' organic food system is difficult to quantify. In a sense, the potential is unlimited – the state is endowed with rich agricultural land, a favorable climate, an agricultural knowledge base spanning several generations, and well-established systems of processing and distribution. Illinois farmland covers more than 27 million acres, about 77 percent of the state's total area.

That said, currently the greater part of organic production capacity is mere potential. In most sectors, Illinois has barely scratched the surface of meeting the demand for organic food with locally grown products. From the standpoint of Illinois' organic food system, growth in production capacity is limited by economic factors – down to the level of the individual farmer.

At this time, USDA statistics on organic production are only being gathered every five years, with the 2002 Census of Agriculture being the most recent public data available. According to those statistics, there were 152 certified organic farms in Illinois. The amount of Illinois land devoted to the raising of certified organic crops stood at 21,324 acres.

The Census also reported that the value of all organic commodities sold by Illinois farmers was $1,778,000. To put that into perspective, the top five agriculture commodities produced in Illinois in 2004 – corn, soybeans, hogs, cattle and calves, and dairy products – were valued at nearly $10 billion. Illinois farm exports in 2004 topped $3.6 billion, according the USDA.

The following chart is represents organic farm acreage within the region:

State	**Organic Farms Acreage (2001)***
Wisconsin	91,619
Iowa	80,354
Michigan	46,485
Illinois	21,324
Indiana	4,175

* All organic farm acreage, including cropland.

Across the U.S., the number of certified organic growers grew from 5,021 to 6,949 between 1997 and 2001, according to the U.S. Census Bureau. The amount of certified organic acreage increased over the same period from 1.3 million acres to 2.3 million acres. [4]

Florida, Arizona, Washington, and California dominate U.S. production of organic fruits and vegetables. Illinois ranked 41st among the fifty states in organic fruit production and 20th in organic vegetables.[5] Yet the two largest buyers of organic food in the region, the Whole Foods Market supermarket chain and organic distributor Goodness Greeness, don't have any significant vegetable producers in the state. This is despite the fact that both companies have major new programs to expand their offerings of local organic food.

Nevertheless, according to the USDA, Illinois was a highly ranked organic producer in some products; milk production (13th), corn for grain (2nd), popcorn (4th), soybeans (10th), dry beans (7th), beef cattle (11th), hogs and pigs (2nd), chicken broilers (7th), and turkeys (8th).[6] There are also other positive signs for Illinois' organic production. The Herbal Garden, a Wauconda Illinois grower of fresh herbs, has decided to expand their local operations with additional greenhouse capacity as well as by beginning to grow fresh organic vegetables in the fields near their greenhouses. "The demand for local vegetables is clearly ahead of the supply, so we are expanding into this niche," says Herbal Garden CEO, Vern Meyers. "If it goes well, we may ramp up our operation considerably."

Another possible future resource in this area is Van Drunen Farms, the largest grower of organic herbs in America with 1000 acres in Momence, Illinois. Most of Van Drunen's products are processed and sold as bulk commodities to manufacturers, but because of their growing expertise, the company has sold a few products into the fresh organic vegetable marketplace.

The Need for Organic Farmers

Since the USDA data on the number of current organic farmers has not been officially updated since 2002, we chose to go directly to some of the largest buyers of organic products in the state to get their feedback about supply.

Organic Valley

Wisconsin based, Organic Valley is the second largest organic milk company in the US and they source some of its fluid milk from Illinois producers. The demand for organic milk, however, is much larger than the supply. "Organic Valley can't keep up with customer requests for organic milk," says CEO, George Siemon. "We would sign up 100 new farmers if they were available.

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[4] U.S. Department of Agriculture, National Agricultural Statistics Service, Illinois Field Office, and Illinois Department of Agriculture, "Illinois Farm Facts," n.d. Available online: http://www.agstats.state.il.us/farmfacts/farmfact.pdf

[5] Ibid.

[6] U.S. Department of Agriculture, Economic Research Service, "Illinois Fact Sheet," December 2005. Available online: http://www.ers.usda.gov/statefacts/IL.htm

Illinois is a great place for us to source milk because we have established pick-up routes in the state."

Clarkson Grain

Clarkson Grain Company of Cerro Gordo, Illinois, is one of the world's largest organic grain brokers and purchases many of its products from Illinois farmers. "Illinois farmland produces some of the finest organic grains in the world, and we have many excellent organic producers," says Lynn Clarkson, Clarkson's CEO. "Our biggest problem is that we don't have enough American organic grain. As a result, producers from China and Brazil are beginning to fulfill the huge demand."

Goodness Greeness

As the second largest organic produce supplier in the US, Goodness Greeness buys a lot of fresh fruit and vegetables. Recently, in partnership with Sustain's FamilyFarmed.org, Goodness Greeness has increased their local procurement by 500% since 2003, yet the company wants to purchase much more regional food—if it had the supply. "We are actively recruiting regional organic producers," says Goodness Greeness CEO, Robert Scaman. "I wish we didn't have to work so hard to bring growers on. It's hard to believe we don't have more farmers that want the substantial price premiums offered in the organic world."

Key Finding

The most significant impediment to building organic production in Illinois is the lack of organic farmers. In all areas, demand for product far outstrips supply. Despite significant price premiums and relatively easy access to the Chicago market, very few conventional growers are transitioning to organic. In addition, many of the organic growers who are selling fresh food, vegetables, fruit, meat, etc., are concentrating their efforts on selling to consumers through farmers markets, CSA's and other direct marketing efforts. Thus, there is little supply available for supermarkets, restaurants, or other wholesale and retail markets.

2.2 Supply Chains

2.2.1 The Universe of Organic Food Supply Chains

The organic food "supply chain" encompasses processing, transportation, warehousing, and distribution to the point-of-sale.

There are numerous supply chains through which organic food moves from farmer to consumer. The simplest of these chains involve farmers selling at roadside stands, at farmers markets, or to individual families via community-supported agriculture programs. Certainly the shortest marketing chain is the U-pick operation.

Some organic food products require third party processing (e.g., meat), which adds a stage to the marketing chain. Moreover, nearly all organic food products require some degree of isolation

from their conventional counterparts, suggesting that conventional food marketing chains must be supplemented with parallel "organic" ones.

In a 2002 report for the USDA titled, *Recent Growth Patterns in the U.S. Organic Foods Market*, Dimitri and Greene described the various marketing chains employed within broad categories of organic food, as illustrated in the table below:

Organic Food Category	**Supply Chains**
Fruit and vegetables (as fresh produce)	Farm>shipper>wholesaler>retailer. Farm>shipper>specialty broker>retailer. Farm>shipper>retailer. Farm>consumer (U-pick, roadside stands, farmers markets, community-supported agriculture).
Grains, Oilseeds, and Legumes	Farmer>cooperative>cleaner>manufacturer>distributor. Farmer>cleaner>manufacturer>distributor. Farmer>cooperative>cleaner>broker>manufacturer> distributor. Farmer>cleaner>broker>manufacturer>distributor. Farmer>marketing agent>manufacturer. Farmer>cooperative>processor of feed grain> distributor>livestock producer. Farmer>processor of feed grain>distributor>livestock producer.
Dairy Products	One or several farms>on-farm dairy>regional distributors. One or several farms>off farm dairy>regional distributors. One or several farms>off-farm processors of cheese, butter, yogurt, or dry milk>regional and national distributors. Several farms>dairy>national distribution through a marketing cooperative. Several farms under contract>dairy>national distribution under a brand name.
Beef	*National Distribution*: Cow/calf farm>pasture farm>cooperative (also processes) >retailer. Cow/calf and pasture farm> cooperative (also processes) >retailer. Cow/calf farm>pasture farm>farm>processor>distributor> retailer. Cow/calf and pasture farm>farm> processor> distributor>retailer. *Local Distribution*: Cow/calf farm>pasture farm>consumer. Cow/calf and pasture farm>consumer.

Pork and Poultry	National Distribution: Farm>cooperative (also processes)>retailer. Farm>processor>distributor>retailer. Local Distribution: Farm>consumer purchase at farm. Farm>consumer purchase at farmers market. Farm>consumer purchase over Internet.

Source: Carolyn Dimitri and Catherine Greene, *Recent Growth Patterns in the U.S. Organic Foods Market*, U.S. Department of Agriculture, Economic Research Service, Market and Trade Economics Division and Resource Economics Division. Agriculture Information Bulletin Number 777, September 2002.

2.2.2 Organic Food Supply Chains in Illinois

Organic food supply chains currently in use in Illinois can best be described with a handful of real-world examples:

Fresh Produce, Direct Sales

Sandhill Organics

Most organic fruit and vegetable growers in Illinois do some or all of their business by selling directly to consumers. Sandhill Organics is located in the Prairie Crossing conservation community in Grayslake, IL. Since 2004, Peg and Matt Sheaffer have been selling fresh organic produce directly to families in Barrington, Chicago, Glen Ellyn, Grayslake and Oak Park under a community-supported agriculture program or CSA. The CSA concept originated in Japan in the 1960's and translates literally as "food with the farmers face on it". Each participating family makes an up-front payment to the farmer (effectively providing working capital), and the farmer contracts to deliver "shares" of the farm production to a mutually agreed drop-off each week during the growing season.

Sandhill Organics also sells directly to consumers at a number of farmers markets including the Green City Market in Chicago, the Oak Park Farmers Market and the Prairie Crossing Farm Market. These markets provide regular weekly income to the farm during the growing season and also can be used to recruit new CSA customers. In 2006, the farm will be expanding from 20 to 40 acres and the Sheaffers are looking to further expand their CSA sales and sell excess products to restaurants and local supermarkets.

Chicago's Green City Market

Farmers markets allow consumers to purchase food directly from growers. This form of direct marketing has grown to become an attractive business model for small-scale producers and represents a significant part of the local organic supply chain regionally.

The goal of Chicago's Green City Market is to connect local producers and farmers to chefs, restaurateurs, food organizations and the public; and to support small family farms and promote a healthier society through education and appreciation for local, fresh, sustainably raised produce and products.

The market started in 1998 with just a few farmers as an alternative to the Chicago-run farmers market program. Today it has grown to over 40 producers on two market days a week. While not everything at the market is organic, there are standards about who can participate based on how sustainable their growing practices are. Green City Market has more organic farmers participating than in the entire City run program which runs over 20 weekly markets throughout the city. Green City Market has gained a tremendous amount of public support not only because of the quality of the food found there, but also through events and public education campaigns. This support manifests itself in the pockets of regional family farmers and adds value to the supply chain.

Restaurants

An increasing number of restaurants in Illinois are committed to cooking with local and organic food. Chef/Owner Michael Altenberg of Bistro Campagne restaurant, cooks with in-season, locally grown fresh produce whenever possible. As the former corporate chef of Rich Melman's, Lettuce Entertain You restaurant chain, Altenberg has worked within one of the country's leading restaurant groups with an elaborate food service procurement system anchored by very large distribution corporations with vast product lines. Sysco has become the largest food service distributor in America in part by having a selection of goods that meets the buying needs of restaurant customers—with products ranging from fruits and vegetables to bathroom hand cleaner. Yet, at Bistro Campagne Altenberg needed a different system in order to meet his local and organic purchasing criteria. He purchases directly from over 20 individual organic farms plus a dozen distributors and food suppliers. "It's been extremely challenging to create this system, but I couldn't have sourced the products I wanted any other way," he says.

When the growing season constrains his access to local products in the winter and spring, Altenberg has maintained his commitment to organic by purchasing produce through Goodness Greeness, the Chicago based supplier of organic food. Goodness sells food from large and small farms in California, as well as from regional organic farms in the Midwest. To more effectively serve restaurants as well as other institutional buyers such as schools and hospitals, Goodness has now created a food service division with dedicated staff and expanded product line. "The demand for organic food in the food service niche is exploding," says Goodness Greeness CEO, Bob Scaman. "In order to be a player we realized that we needed a whole new system. Our goal is to build a customer-focused supply chain with high levels of service and responsiveness, combined with a broad product line that eventually will include meat, dairy and gourmet items. A major focus will include selections from regional organic farms."

Suppliers

The vast majority of food sold by the supplier Goodness Greeness goes to supermarket chains such as Dominick's, Cub Foods, Jewel, and Kroger as well as independents such as Sunset Foods and Treasure Island. Recently, Goodness began selling organic food to a few Midwest stores of Wal-Mart and Costco. As a result of its success in this area, Goodness is the largest supplier of fresh organic food in the Midwest. Goodness has recently partnered with former US Senator from Illinois, Carol Mosely Braun to launch Good Food Organic, an organic and bio-dynamic supplier that will focus on the food service segment.

Other suppliers are also focusing on the fresh organic produce market. In addition, the country's largest organic distributor, United Natural Foods, is looking to expand its fresh produce sales in the region through its Albert's Organics division. Other large players are also taking note of this niche and moving in including Sysco, the largest US supplier to the food service industry. Sysco Chicago president, Chuck Staes, attended the 2005 FamilyFarmed.org EXPO with staff buyers and was introduced to regional organic producers. As a result, Sysco added Wholesome Harvest, a farmer-owned company producing organic meat in Iowa and Illinois, to their product offerings.

Supermarkets

With 22 stores in the Midwest, Whole Foods Market (WFM) is the leading organic retailer in the region. In 2004, they announced a major new partnership with Sustain to increase their offerings of organic produce from regional farmers. In some cases, Whole Foods Market buys directly from the farm—either the farm delivers the produce to the WFM distribution center in Munster, Indiana or in some cases WFM trucks pick up from the farm on a return run from stores in Michigan, Wisconsin or Minnesota. Whole Foods Market also sources local fruits and vegetables from distributors including Organic Valley, the Rainbow Cooperative and Goodness Greeness. These companies facilitate the transportation of the product from the farm to the WFM warehouse. In addition, Sunset Foods, which has four stores in Chicago's northern suburbs, purchases directly from a number of Lake County farms during the season.

Grain Handlers

Illinois is a large producer of organic grains and soybeans. Over the past decade, the price for organic soybeans has been two to four-times the price of conventional beans and the price for organic corn is usually double or more the price of conventional. In most cases organic farmers sell to distributors who then sell to the end users. Some farmers also sell directly to large volume processors such as Eden Foods which purchases soybeans to make soymilk. Clarkson Grain is the largest purchaser of organic grains and beans in the state (and one of the largest in the world) and employs over 40 people in its Cerro Gordo, Illinois facility.

The Midwest Organic Farmers Cooperative (MOFC) is also a growing distributor of organic grains throughout the region. The farmer-owned company develops long-term relationships with buyers to provide members with stable and profitable prices for their corn, wheat, soybeans,

spelt, hay, barley, oats and other grains. Producers from Illinois are represented in MOFC. The group is contemplating adding vegetables and other fresh foods to its product mix.

Meat and Poultry

Consumer demand for such meat attributes as "drug-free, pasture-raised, grass-fed, free-range and organic" have lead to more and more Illinois farmers raising cattle, poultry, hogs and other animals as part of their farming operations. These ranching operations are typically small, raising ten's or hundred's of animals per year. Growers often will raise an animal for a specific customer, or in the case of turkeys, for a specific seasonally- driven market. Because of the number of animals involved, growers must rely on small local meat processors to prepare animals for market. In the case of organic meat and poultry processing, there are only two certified facilities in the state. Typically the small rancher raises the animals on his own farm, provides feed and forage from his own crops and will transport the finished animal to the slaughterhouse for processing. Once the meat has been processed and packed, the farmers will transport the meat to urban and suburban markets, either selling directly to consumers through farmers markets or CSA. Some farmers are also selling meat and poultry directly to restaurants and neighborhood butcher shops.

There is also a significant growth in a more traditional supply chain model for organic and natural meat. The following are three examples in Illinois, both of which are looking to boost their production of natural and organic meats in Illinois.

Organic Prairie

Organic Prairie is the meat division of Wisconsin based Organic Valley Family of Farms. In 2005, the company had $8 million of organic meat sales and expects to increase that volume to $12 million in 2006. They currently process their animals in facilities in Minnesota and Nebraska and are looking for an additional processing center in the region. According to CEO, George Siemon, they can process as many as 2,000 cattle currently with significant growth projected over the next three years.

Niman Ranch

Niman Ranch is the largest US producer of pasture-based hogs in America. Prime cuts of their hormone and antibiotic free meat are sold at higher-end restaurants and supermarkets. In addition, they have become the primary supplier of pork to Chipotle Grill, a fast food Mexican chain that is bringing a wide variety of natural and organic products into its mix. (Chipotle's majority stockholder is McDonald's Corporation which is also experimenting with similar natural offerings through its Boston Market affiliate.) Much of Niman's Pork is sourced through the small to mid-size producers in Illinois, Iowa, Michigan and Wisconsin and currently some of their production is slaughtered and processed at the Meadowbrook Farms pork processing plant in Rantoul, Illinois. In recent years, one of the biggest challenges faced by Niman is meeting the rapidly growing demand for its products. Over the next three years, Niman plans to significantly expand its procurement of pork and possibly beef in Illinois.

Tallgrass Beef

The CEO of Tallgrass Beef has a remarkable background. Chicago based Bill Kurtis has had an amazing career as a television journalist. He was an award-winning television reporter and anchor in Chicago and nationally on the CBS Morning News; he hosted the PBS series the *New Explorers*, and recently has produced projects for A & E including *Investigative Reports*, *American Justice*, and *Cold Case Files*. Combining his love of his ranch in his native Kansas with his skills as an entrepreneur, Kurtis has launched Tallgrass Beef, a grass-fed beef company. Initially the beef came exclusively from animals raised on his ranch where they graze on its native prairie. In order to meet the growing demand for products in restaurants and supermarkets, Tallgrass Beef is setting up a network of additional producers and is exploring relationships with grass-fed cattle producers in Illinois. Currently Chicago is the largest market for their products where they sell primarily to restaurants. According to Kurtis, the company may develop a relationship with an Illinois meat processor to process Midwestern-raised cattle. Within 3 years, the company forecasts a need for as many as 5,000 locally raised cattle to supply their needs in the Midwest.

Milk

Oak Grove Organics

Oak Grove Organics is a western Illinois, family-owned dairy that has used "guerilla marketing" techniques to establish relations with restaurants and retailers carrying high-end organic foods. From a 150 cow herd, Oak Grove does everything from milking cows to delivering products to customers. Even the package and labeling were designed locally by neighbors. The organic milk is processed by a plant in Iowa into four kinds of cheeses, butter, cream and various milk products. Family farmer Tony Huls says the dairy strives for "old-fashioned taste" in its products from their herd of largely grass-fed animals.

Organic Valley

Organic Valley Family of Farms is the largest cooperative dairy producer in the US. With over 750 farm family members throughout the country, including Illinois, Organic Valley produces a full line of diary products, eggs, meat, juices, soy products and produce. The brand is marketed in most regions of the country in the retail, food service and industrial ingredient segments. Organic Valley is involved in every aspect of the supply chain, and as a branded product, creates additional value for its farmer-members.

Food Processing

Van Drunen Farms

Van Drunen Farms is the largest organic herb processor in the US. They produce most of the herbs used in their products on their 1,000 acre farm in Momence, Illinois, where they are headquartered.

2.3 Constraints in the Supply Chains

The supply chains for organic distribution are in various stages of development. For example in Northwest Illinois, where Organic Valley has established routes for milk pick-ups, the supply chain functions quite efficiently. They transport, process, and package the fluid milk and distribute it to retailers for sale to consumers. The same can be said for organic grains, beans and oilseeds. Distributors such as the Midwest Organic Farmers Cooperative purchase the product from farmers and eventually sell it to the end-users.

In the case of fruits, vegetables and meats the supply chain is not nearly as well developed. Based on focus groups, surveys with farmers and restaurants and organic mapping data, we have found the following constraints in Illinois' organic supply chains.

Key Findings

Distribution

Need for Additional Distribution Infrastructure. A major hurdle for organic growers in Illinois is the lack of coordinated distribution. Although refrigerated trucks may be available, they are usually contaminated by non-organic products, which makes it necessary for the vehicle to be decontaminated, as required in the regulations for "certified organic" goods. Buyers currently securing organic food for the Chicago market such as Whole Foods Market and Goodness Greeness, usually do not send trucks south of I-80 in Illinois, which excludes farmers in the central and southern areas of the state.

Need for Regional Warehousing. Farmers do not want to individually truck their products into Chicago. It is too expensive and not an efficient use of time. Instead they would like to see a number of regional warehouses where they can bring their products and have them shipped to Chicago as part of larger loads. Such regional warehouses would then encourage growers to concentrate in certain areas, and potentially contribute to shared knowledge and other resources.

Need for Central Market in Chicago. Restaurants and supermarkets have indicated a need for a wholesale market in Chicago where locally grown organic products would be available to purchase. This type of wholesale market would give buyers access to a wide variety of local products and let purchasers assess the quality of the goods prior to purchasing.

Better Post Harvest Handling. Wholesale buyers are concerned that most farmers do not have the training or the equipment to provide optimal post-harvest handling for fruits and vegetables. The ability to remove the "field heat" of produce by rapidly lowering the core temperature is the most important element to ensure freshness and shelf-life in fresh produce.

Need for Packing Standards. Both growers and wholesale buyers have expressed frustration with the lack of guidelines for packing and grading fresh fruits and vegetables. Packing standards would give all elements of the supply chain consistency and accountability while ensuring the best quality produce.

Sales and Marketing

Need for Local Labeling. 58 percent of the farmers surveyed said they would participate in a "Family Farmed in Illinois" labeling system. Producers have a concern that produce from large farms in California and beyond can sell to wholesale markets more inexpensively than small to mid-sized producers in the Midwest. Farmers and other regional stakeholders strongly believe that a system in which the label differentiates the product as "family-farmed" while identifying the place of production is a positive marketing opportunity. This is because the products can command a higher price in the marketplace and effectively promote themselves as local.

Need for production management systems. Growers are concerned about moving into the organic sector because they are not certain what to grow. A system to help estimate what products to produce for what markets would be invaluable.

Need for a year-round permanent market in Chicago. Farmers believe that a permanent year-round market in Chicago will provide them with a steady venue to sell products. Such a facility will promote the value and flavor of local food, build awareness about the environmental benefits of local and organic agriculture, and encourage producers to invest in greenhouses and other infrastructure for year-round production.

Food Processing

Need for food processing facilities. The mapping data in this report points out the lack of produce and fruit processing within the state. It was not too long ago that Illinois was home to a number of processing plants that were canning and freezing sweet corn, peas and other vegetables. With the loss of acreage in conventional fruits and vegetables, Illinois has lost the processing as well. Without adequate cooling and packing facilities, organic farmers with excess products at harvest or "seconds" have few options to sell them. Instead of bringing value as processed goods, these products end up as compost.

Need for organic meat processing facilities. The organic meat infrastructure suffers from a lack of processing facilities. The only certified organic meat facility in the state, is the Eureka Locker, Inc. As important as this facility is to local organic ranchers and the economy, its capacity is only a very small percentage of what is needed to satisfy Illinois' demand for organic meat. In addition, Illinois' organic poultry processing is currently threatened. The lone certified organic processor, Central Illinois Poultry Processing in Arthur, Illinois, has announced plans to eliminate their toll processing services for public birds in mid-2006. Elimination of this service will have a dramatic impact on Illinois' small-scale growers as this is the only federally inspected facility in the state that will process non-contract birds from independent producers. When the plant discontinues this service, there will be no way for local growers to get farm-raised, pastured and organic poultry processed for legal retail sale in Illinois or elsewhere.

2.4 Agricultural Policy

On the federal level, The Organic Foods Production Act of 1990, part of the 1990 Farm Bill authorized the Secretary of Agriculture to appoint a 15-member National Organic Standards Board (NOSB). The board's main mission is to assist the Secretary in developing standards for

substances to be used in organic production. The NOSB also advises the Secretary on other aspects of implementing the national organic program. The current board is comprised of four farmers/growers, two handlers/processors, one retailer, one scientist, three consumer/public interest advocates, three environmentalists, and one certifying agent who sit on various committees. Members come from all four U.S. regions.[7]

The NOSB has the authority to recommend organic standards to the USDA but it does not make policy decisions. Those recommendations that have been adopted by USDA form the basis of the National Organic Program (NOP). The NOP sets the regulatory environment to govern production, certification, processing, handling and labeling of organic food.[8] While the setting of organic food standards has not been without controversy, the NOP has for the most part given growers, manufacturers and consumers of organic food the knowledge and confidence necessary to tremendously expand the market.

While the Organic Foods Production Act has aided the stellar growth of the market for organic foods, the US Congress has done little else to support increasing the production of organic food. USDA's listing of Farm Characteristics in 2002 put the total number of certified organic farms at 11,998 totaling 562, 486 acres of crop land or approximately 0.25% of total US cropland.[9] By contrast, organic cropland in the EU-15 grew from 0.1% of total in 1985 to nearly 3% in 2003.[10] Since 1992, organic farming has been included in rural development and agri-environment projects. EU farmers have been compensated for costs incurred and income lost. Projects have gone beyond good farming to include practices that benefit the environment. These rural development projects have also included training, processing and marketing support and land acquisition.[11]

The State of Illinois provides promotes marketing and research initiatives, such as this study, through its AgriFIRST program; and the Bureau of Marketing and Promotions works with the NOSB to reimburse farmers for organic certification. In its 2004 Annual Report, the Illinois Department of Agriculture (IDOA) reported reimbursements to 99 farmers to date. The IDOA also provides listings of local farmers markets where consumers can buy organic food.[12]

Key Findings

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[7] (October 2002). *The National Organic Program-Background Information.* AMS/USDA. Available online: http://www.ams/usda.gov/

[8] Ibid.

[9] U.S. Department of Agriculture, National Agricultural Statistics Service, Illinois Field Office, and Illinois Department of Agriculture, "Illinois Farm Facts," n.d. Available online: http://www.agstats.state.il.us/farmfacts/farmfact.pdf

[10] (June 2004). *European Action Plan for Organic Food and Farming.* Commission to the Council and the European Parliament. Available online: http://www.europa/eu/int/

[11] Ibid.

[12] 2004 Annual Report. Illinois Department of Agriculture. Available online: http://www.agr.state.il/

On a state and local level, there a significant policy and funding needs that have been identified through this study. They include:

Development of new regulations to encourage organic and smaller scale production. For example, current Illinois EPA regulations make compost production and use on organic farms in populated areas extremely difficult. This is because permitting regulations view compost production as waste disposal, rather than as a recognized input for organic farmers.

Support for transition from conventional to organic farming. There are currently no incentives in Illinois to encourage farmers to transition to organic production. In Minnesota, the state has set up an innovative fund for organic transition, using EQIP funding from the federal government.

Need for more University of Illinois and Extension Support. Traditionally extension programs and land grant colleges have played a key role in giving farmers expertise on new technologies and techniques. In 2005, U of I and the Extension system played an important role in launching the Illinois Organic Conference with 170 attendees in its first year. In 2006, the conference attracted attendees including many conventional producers interested in learning more about organic farming. Such successes highlight the interest and opportunities available for these institutions to serve constituent needs through programs designed to support organic production, research and sales. Recently, the U of I Extension has partnered with The Land Connection to launch a training program for new organic farmers.

Increase state support for local food security and include food policy councils in agriculture discussions. In June 2005, Governor Blagojevich announced the formation of the Illinois Food Systems Policy Council. While this group is focused on food safety related to homeland security, it needs to be recognized that "*food policy councils are part of a growing movement to convene citizens and government officials for the purpose of providing a comprehensive examination of a state or local food system. This unique, non-partisan form of civic engagement brings together a diverse array of food system stakeholders to develop food and agriculture policy recommendation."*
-National Workshop on State & Local Food Policy at Drake University

Besides potential collaboration with the State, the Chicago Food Policy Advisory Council (CFPAC) is network of organizations and over 300 individuals sharing their experiences and concerns about food security in the Chicago region. It started as an outcome of the Chicago Community Trust-sponsored Food Summit of 2001. Since then it has been supported financially and in-kind by the Chicago Community Trust, Heifer International, Growing Power, Openlands Project and Sustain. The CFPAC is looking to develop a direct relationship with city officials. The aim is to work collaboratively between the City of Chicago and stakeholders to develop policies to meet the mission.

2.5 Farm Credit

The Farm Credit System (FCS) is America's first Government Sponsored Enterprise (GSE). It was created in 1916 when Congress chartered 12 regional farm credit banks. Congress wanted to increase the ability of farmers to obtain credit to finance the purchase of farms and ranches. In 1923 Congress created 12 regional Federal Intermediate Credit Banks (FICBs) to try to provide farmers and ranchers with short and intermediate term credit. The FICBs were authorized to lend to commercial banks that in turn would provide credit to farmers and ranchers. With the onset of the Depression, and the resulting turmoil in the banking industry, the idea did not work. In 1933 Congress authorized the creation of Production Credit Associations to lend money directly to farmers and ranchers. The FCS remains the only GSE that has direct, retail lending authorities. [13]

The 1987 bailout legislation created the Farm Credit System Financial Assistance Corporation. It was authorized to issue up to $4 billion of *taxpayer-backed* bonds to provide capital assistance to FCS institutions financially weakened by losses arising from collapsing farmland prices. Bonds totaling $1.261 billion were issued, with 15-year maturities. At the end of 2001, $775 million of these bonds were still outstanding; they were to mature in 2003 and 2005. FCS institutions are responsible for paying off the bonds and the interest on them, including interest the U.S. Treasury advanced during the first 10 years the bonds were outstanding. However, the FCS is not obligated to pay interest to the Treasury on the interest advances it made — that cost has been borne.[14]

Since then, the FCS has largely transformed itself into a set of Agricultural Credit Associations (ACA) that combine the long-term mortgage lending activities of Federal Land Credit Associations (FLCA) and Federal Land Bank Associations (FLBA) with the short- and medium-term lending of Production Credit Associations (PCA). FCS associations of all types borrow funds to lend from the regional FCB to which they belong. FCBs also exercise some lending oversight over their member associations. The ACA has rapidly emerged as the organizational model of choice within the FCS because of the superior tax advantage this model recently gained when the IRS blessed the ACA "parent" form of organization. This model has lead to a tremendous consolidation in the FCS.[15] Since 1997, the number of FCS associations has dropped from 203 to 96 in 2005. This consolidation has moved lending decisions further away from rural communities and has focused its attention on large borrowers.[16]

While its mission is to serve young, beginning and small farmers (YBS), FCA lending statistics from 1998-2001 show that any increasing number of loans went to large farmers. In addition, the average amount loaned to large farmers increased from $662,000 to $915,000. In a 2002 report, the General Accountability Office (GAO) found that while FCA had policies and

[13] The Farm Credit System-America's Least Known GSE. (1999, December). Washington, DC; American Bankers Association. Available online: http://www.aba.com/industry+issues
[14] Ely, B. (2002). *The Farm Credit System: Reinvented and Mission-Challenged.* Alexandria: Ely and Company, Inc.
[15] Ibid.
[16] (2001). *USDA Agriculture Economics and Land Ownership Survey.* As reported by the Center for Agriculture and Rural Banking.

guidance in place to serve YBS', that it had not followed a rigorous examination process to accurately assess compliance with its mission.[17]

The FCA 2004 annual report sighted progress in making loans to YBS recipients. However, since the reported totals are not mutually exclusive, it is difficult to say just how much improvement is being made. It is very likely that FCA is overstating both the number of loans and the total amounts since data on a farmer who is young, beginning and small would be counted in all three categories. [18]

Key Findings

Improved market data for risk assessment. Without accurate market and financial data, both current and historical, it is difficult for lenders to project the future health of a specific business or an industry segment. Organic farming is no different. If organic farmers and ranchers are to participate in FCS lending, there needs to be comprehensive data collected on the organic farm economy, by FCA, USDA, DOC and other government agencies. IDOA can play a key role by putting increased emphasis on collecting and publishing data on organic farms.

Increased lending to non-commodity farms. The access to capital and the impact of capital on farm ownership were constant obstacles mentioned by farmers in our focus groups and surveys. Besides connecting local farmers to consumers so they can "put a face on it", a critical element of the CSA marketing concept is the fact that farmers are paid up front, providing them with the working capital needed to run their businesses. Without the price supports, disaster payments and yield insurance associated with commodity crops, organic farmers would be considered less favorable risks, even though many own their land outright.

Improved transparency to determine loan recipients. Given the fact that the overwhelming majority of organic farming operations would be characterized as YBS's, it is likely that this group is being underserved in the area of farm credit. Since the FCA admits that its counting methods are not mutually exclusive, it is likely that the FSA is double or triple counting the number of YSB farm operations it actually serves. There are no published statistics on FCS loan activities to organic vs. conventional farms. Without accurate data, it will difficult to create new policies and remedy current ones that disadvantage organic farmers.

2.6 Grower Training and Education

The amount of certified organic farmland in Illinois is currently insufficient to meet the demand. Of the approximately 21,000 acres of organic farmland in the state, most if not all is being worked by farmers who are self-taught' in organic farming skills. With the use of herbicides,

[17] (March 2002). *Farm Credit Administration Oversight of Special Mission to Serve Young, Beginning and Small Farmers Needs to be Improved.* Report to the Ranking Minority Member, Committee on Agriculture, Nutrition and Forestry, U.S. Senate. U.S. General Accounting Office.

[18] FCA Performance and Accountability Report-Fiscal 2005. (November 2005).

pesticides and GMO-seeds, the organic farming practices utilized by past generations have largely been lost. That is not to say that the training of new organic farmers is not taking place. Private and not-for-profit initiative are established locally, regionally and nationally to train new farmers in organic methods.

Located in Caledonia, IL, the CSA Learning Center at Angelic Organics offers farmer training through the Collaborative Regional Alliance for Farmer Training (CRAFT). CRAFT began in 1997 and is a year-long program which offers those new to farming internships with existing organic growers. Recently, the University of Illinois and University of Illinois Extension have partnered with the CSA Learning Center and The Land Connection, a central Illinois not-for-profit that is transitioning land and training new farmers in organic methods, to create two new training programs; State Line Beginnings™ and Illinois Farm Beginnings™. These training programs build on curriculum created by the Land Stewardship Project and add important training in marketing and business management. At this time, about 50 new farmers are participating in the training and will soon begin growing food for market under these programs. This is the first ever involvement of a state agency in programs aimed at training Illinois growers in organic farming practices. For an organic food system to be feasible within Illinois, a much broader effort must take place to recruit, train and connect new farmers with land suited to raise organic food.

Another resource for Midwestern farmers in the Michael Fields Agricultural Institute in East Troy, Wisconsin. They have a well-respected internship program that includes a second and third year program for advanced farmers. In addition, the Institute operates Field's Best, a store at the Milwaukee Public market which gives interns the opportunity to learn about wholesale and retail sales of local organic products.

The Liberty Prairie Foundation is currently developing an "organic farm incubator" at the Prairie Crossing Farm in Grayslake, Illinois to stimulate and support the successful development of an entrepreneurial organic farming sector at the urban fringe in the Chicago region. In 2006, they are recruiting a number of beginning farmers to establish new farm businesses at the Prairie Crossing Farm.

On the urban agriculture front, Growing Power is a national leader in providing training and resources for greenhouse development, vermicomposting, and aquaponics. They have offices in Milwaukee and Chicago and focus on helping communities become self-sufficient.

Key Findings

Increase farmer training programs-With only four farmer training programs in the state, the number of new farmers that can be trained is severely limited. Also, the training programs have not been funded beyond the first year, making it difficult for the partner organizations to plan for the future.

Improve access to farmland- According to Terra Brockman, Executive Director of The Land Connection, only about half the interns in the Illinois Farm Beginnings™ training program have

access to land. In urban-edge agricultural areas, there is an intense competition to purchase farmland for development. Prime farmland in urban edge areas can bring much higher short-term returns for development, even though longer-term revenues from organic farming could be competitive. However, cash rental of farmland is an option for organic farmers, assuming transition is possible from conventional farming to organic. It normally takes three years with a documented change in management practices before farmland can be certified organic.

Support for transition from conventional to organic farming. There are currently no incentives in Illinois to encourage farmers to transition to organic production. In Minnesota, the state has set up an innovative fund for organic transition, using Environmental Quality Incentives Program (EQIP) funding from the federal government.

Outreach to Immigrant communities to find new organic farmers. Numerous programs are springing up across the country to give immigrants with agricultural backgrounds growing skills, financial and marketing education and access to land, equipment and capital in an effort to increase the number of organic farmers. The W. K. Kellogg Foundation has funded Heifer International to begin a National Immigrant Farming Initiative (NIFI), a 10-year project that supports local and regional efforts to make immigrants, refugees and farm-workers self-reliant contributors to local food systems. In Chicago, Sustain has been funded by Chase Bank to determine ways in which immigrants from agrarian roots can get connected to jobs and farm ownership opportunities in the local and organic food sectors.

Use of farmers training to reduce recidivism-While not a direct result of this study, there is a growing awareness that engaging former gang members and ex-offenders in producing and marketing organic and sustainably-raised food in urban environments can be a way to reduce recidivism. In the North Lawndale neighborhood of Chicago, the *Sweet Beginnings* program provides job skills and training to formerly incarcerated people through urban farmers and honey production. Their Beeline™ brand honey is sold at farmers markets and restaurants. There are plans to create a line of honey-based personal products.

With funding, more programs of this type can be started in urban areas, making use of vacant lots, creating green space and providing much needed fresh produce in low- income neighborhoods.

3.0 Findings and Conclusions

3.1 Evaluation of Production Capacity

USDA's 2002 Census of Agriculture reported Illinois' certified organic farmland at 21,000 acres, of which only 2percent is in fruit, vegetable or herb production.[19] That 2 percent equals 420 acres to supply the organic fruit and vegetable demand for the entire state. While there has undoubtedly been growth in organic fruit and produce supply since USDA's last census, there is little chance that Illinois growers can possibly meet consumer demand for organic fruits and vegetables without dramatic changes in the current production system. According to USDA/ERS data in from 2004, US per capita consumption of fresh vegetables stood at 195.6 pounds.[20] Over about a 30-year period, American's have added roughly 40 pounds of fresh vegetables annually to their diets. This growth on fresh vegetable consumption can have a potentially dramatic impact on local farm incomes.

While not focused solely on organic food production, a recent study by the Leopold Center looked at the potential economic effects if Iowan's were to grow a higher percent of fruits and vegetables in-state for local consumption. Using data contained in the *Iowa Produce Market Potential Calculator*, a model developed and deployed by CTRE™ and the Leopold Center, in conjunction with a modified state of Iowa input-output model maintained in the Department of Economics at ISU, the potential economic impacts of these shifts in production and distribution were modeled. If a 25 percent goal increase in production was achieved, it was estimated that total new sales in Iowa would increase by nearly $140 million, and $52.4 million in additional labor income would be paid to 2,030 job holders. [21] Assuming similar Illinois per capita consumption and with a population roughly four-times that of Iowa, one could extrapolate a total sales increase of $400-600 million, additional labor income approaching $200 million and as many as 8,000 new jobs created within the state. Even without analysis focused on organics, it is plain to see the economic potential realized from increasing in-state fruit and vegetable production can be quite substantial.

As noted in section 2.1, Illinois ranks within the top 10 producers in a number other organic food categories. As the #2 organic producer of grains, Illinois is well suited to support an expansion of cattle, hog and poultry production. In a sense, the amount of organic grain that could be produced is nearly limitless. While its unreasonable to think that all of Illinois' acreage devoted to conventional grain production would ever be farmed organically, even incremental changes would have tremendous positive impacts on farm revenues and organic grain availability. USDA's June 2005 report estimated Illinois' corn acres at 12.1 million. Just a 1 percent shift in acreage to organic production potential would potentially add 15-20 million bushels of corn for sale annually. While that may not seem like much, that additional organic production would feed 15-20,000 more head of organically-raised cattle, enough animals to supply a small-scale multiple species slaughtering plant.

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[19] U.S. Department of Agriculture, Economic Research Service, "Illinois Fact Sheet," December 2005. Available online: http://www.ers.usda.gov/statefacts/IL.htm.

[20] (Dec 2004). US per capita food consumption. USDA/Economics Research Service. Available online: http://www.ers.usda.gov/

[21] (2005, November 11). *New Web Tool Explores Potential Produce Markets.* The Leopold Center for Agriculture. Available online: http://www.leopold.iastate.edu/news

The evidence is compelling that first and foremost, a focused effort is required to increase the number of acres organically farmed and to train growers in organic production methods if the Illinois is to close the production gap in organic food.

3.2 Evaluation of Existing Infrastructure

The organic food system in Illinois is largely dependent on the grower to manage and organize all aspects of the marketing chain right up to the wholesale level. In the examples sited in the focus group and survey data, it is evident that there is a lack of commercially owned and independent infrastructure that reaches all the way back to the farm gate. This situation is much more pronounced in produce, fruit markets and meat markets than in grains or dairy.

The lack of regional facilities for produce and fruit handling with the capability to clean, cool, pack and store product severely hampers the growers' ability to deliver quality products with reasonable shelf-life to market. Farmers are forced to take on risks and roles in aspects of the marketing chain for which they are not properly trained. This is not to say that growers cannot earn higher returns and capture more value by performing some or all of these functions, just the current system is not organized and structured in such a way that growers can maximize their returns. Since growers generally lack the capital to purchase or lease cooling equipment and refrigerated trucks, there is an increase in spoilage and waste. While this product makes excellent compost for the organic farming system, it has much higher economic return when sold as fresh fruit and vegetables into wholesale and retail markets.

Without a network of regional warehousing and packing facilities to consolidate and store fresh-picked produce and fruit, it becomes difficult for Illinois' suppliers to retail markets to purchase locally grown products. Illinois' organic produce growers are competing with suppliers from as far away as California, Mexico and Chile. These growers and distributors have capitalized the infrastructure necessary to ship organic produce and fruit by the pallet load, using refrigerated trucks and even air freight. This product arrives at Chicago's produce warehouses cleaned, sized, packed, labeled with SKU's and fully ready for the retail market. Even though buyers such as Goodness Greeness and Whole Foods Market are ready to buy from Illinois' organic growers, the produce and fruit must meet the same standards as products arriving from elsewhere. The lack of access to sophisticated warehousing and training in its use is hampering the ability of Illinois' growers to participate in its organic food system.

The organic meat infrastructure suffers from a lack of processing facilities. The only certified organic meat facility in the state is in Eureka, Illinois. Eureka Locker, Inc. is owned and operated by Scott Bittner. The Eureka Locker organic certification effort was an 8-month process that was facilitated by a $10,700 Illinois AgriFIRST grant that The Land Connection received. The project is part of *Opportunity Returns*, Governor Rod Blagojevich's comprehensive plan for restoring economic opportunity to Illinois, and is being promoted in conjunction with the Illinois Department of Agriculture. The facility began processing organic meat in June, 2006.

"The infrastructure is critical," says Terra Brockman, Executive Director of The Land Connection. "To keep up with the growing demand for organic meats, local producers need

local processors." In a press release to announce the certification, Land Connection (http://www.thelandconnection.org) cited the previous lack of USDA-inspected processing facilities within a reasonable driving distance as an economic hardship for producers. Hauling animals long distances to processing plants is also hard on the animals and affects the quality of the final product. According to Brockman, the Eureka facility can process about 20 head of cattle and 40 hogs daily. The facility does not run its organic line full-time due to the needs of other customers but is expanding to allow for more organic processing. As important as this facility is to local organic ranchers and the economy, its capacity is only a very small percentage of what is needed to satisfy Illinois demand for organic meat.

Illinois' infrastructure to handle and process organic grains, oilseeds and diary products is much more developed than that for produce and meat. There a number of certified organic grain elevators, grain processors, cheese, milk and egg processors, juicers and even chocolatiers. Data collected and plotted to maps for this study indicates a high concentration of organic processors situated within production and urban areas. There are several organically-certified warehouses and even a brewery. The challenge for Illinois processors and handlers is to source a greater amount of local organic production to reduce transportation costs and better manage their supply chains.

According to our mapping data, there are a limited number of organic dairies within Illinois. However, we know that new, family-owned operations such as Oak Grove Organics have sprung up in the last several years. The national demand for organic milk and dairy products is far exceeding supply. This situation has national media attention and a debate rages in the industry about what is truly "organic" milk production. [22] The good news for Illinois dairy farmers is that there is plenty of processing in nearby states, especially in Wisconsin. With so much capacity in border states, a thorough study would need to be conducted before building new processing capacity within the state.

3.3 Assessments of Strengths, Weaknesses, Opportunities, and Threats to the Illinois Organic Food System

An important element of this study was a survey of a small number of distributors of organic food products, both wholesale and retail. The purpose of the survey was to determine the strengths and weaknesses of existing organic-food distribution systems; to identify components of existing infrastructure and their utilization; and to determine what is needed to support further development of the local organic-food distribution system.

The results of this survey have been incorporated into a SWOT analysis (Strengths, Opportunities, Weaknesses, and Threats), which assesses the current distribution infrastructure

[22] Weise, E. (2005, March 03). "Organic" milk needs a pasture. *USATODAY*. Available online: http://wwww.usatoday.com/

serving organic growers in the region. This analysis can help local organic growers supply more food to the Chicago area by identifying successes, failures, risks, and issues of supply and demand.

The methods used to gather information from the distributors are described in Section 6.0, herein. To reiterate, three distributors of organic food products were surveyed:

Growing Power, an urban grower and distributor of produce
Goodness Greeness, a Chicago-based commercial supplier of a variety of organic food products.
Homegrown Wisconsin, a supplier of organic food products to restaurants.

All three respondents currently utilize the warehousing and refrigeration, transport and trucking, sales, and marketing components of the existing
distribution infrastructure.
The primary survey tool was a questionnaire designed to yield data compatible with a SWOT analysis. Utilizing the questionnaire, one-on-one interviews were conducted with the key executives in each of the organizations. The results of the SWOT analysis are as follows:

Strengths

There was broad agreement that strong human relationships between the links in the supply chain are essential, considering all the variables involved in regional distribution. Such relationships allow for the flexibility and give-and-take needed to meet the fluctuating conditions that are inherent to this business. Trust and collaborative attitudes have played a key role in the development of organic-food distribution in the past and will remain fundamental as this work expands in the future.

The degree to which market data was gathered as a basis for decision-making varied considerably among distributors. All agreed, however, that sound judgment – which comes only after years of experience in the business – is the most fundamental quality required for success in this arena. Market data alone was not considered to be of great value in light of the countless variables involved.

All respondents expressed optimism in the growth over the next two years of the processing/packing and warehousing/refrigeration components of the system.

Weaknesses

Many organic farmers suffer from the absence of economies of scale due, in part, to a comparatively short growing season.

Individual producers lack leverage in the marketplace. This puts downward pressure on the prices paid for their products.

Quality: The need for expert post-harvest handling (PHH) methods was identified as a critical factor in guaranteeing high-quality products and maximum shelf-life. It was reported that regional farmers often lack the requisite expertise and/or equipment to perform this critical function satisfactorily. In particular, the need to immediately lower the core temperature of vegetables after harvesting was viewed as pivotal. Without the consistent high quality that such procedures make possible, local organic produce is of little interest to large retailers.

Infrastructure at the farm end (labeling, packing, and storage) is weak.

Business-related farmer education seems to be lacking.

Sales may be suffering from the insufficient use of branding, which creates consumer loyalty.

The general level of consumer awareness of the organic-food industry is insufficient.

Transportation: Once product reaches the distributor, the critical factor becomes transportation. The differing requirements of long-distance versus in-the-city transport are very difficult to manage in a cost-effective way.

Refrigerated warehousing for local organic products is largely nonexistent in the region.

Opportunities

Our distributors reported on the challenge that regional organic farmers face because they do not enjoy the economies of scale that the large growers in warmer climates like California enjoy. Overcoming this hindrance requires that smaller farms develop a high level of inter-farm cooperation and collaboration – something that has not been easy to achieve in the past.

As direct stakeholders in a distribution system, farmers may be able to attain a degree of bargaining leverage that far exceeds what they can achieve solely as individual producers.

A one-day, hands-on training course in PHH could be developed and offered to farmers as a pre-requisite for involvement in a regional distribution network. Successful completion of the course could serve as a form of certification that qualifies producers to participate in the supply chain.

Farmers who are part of the distribution system also could receive ongoing education in consumer demand, new-product opportunities, and packaging requirements. Done well, this could be a very effective way for farmers to stay abreast of the market and focus their production efforts in terms of the larger, evolving market. Similarly, education on the development and financing of on-farm infrastructure could be organized.

A unified brand identity could be developed for all products distributed by the system. Effective branding at the point of sale can build consumer trust and loyalty to local farms and their products. In terms of marketing costs, a unified brand identity would create economies of scale that individual farmers are not able to attain on their own.

An effective organic-food distribution system would help create markets and consumer understanding by educating consumers on issues such as product seasonality, product appearance, and nutritional value, as well as provide information on individual producers and their farms.

Linking a distribution system to fair-trade initiatives might raise public awareness of the true costs of agriculture. By making explicit the hidden costs in large-scale agribusiness, it could provide a rationale for ensuring a living wage to family farmers who use environmentally sound practices.

There would appear to be business opportunities in long and short-distance transportation of organic food products, including refrigerated trucking, and in refrigerated warehousing.

Involvement with local organic food is value-driven for many of the stakeholders. This provides opportunities for the development of relationships built on trust and mutual striving, both of which are prerequisites for the development of a value-driven supply chain that attempts to provide an equitable livelihood for all stakeholders.

Threats

The threats are, to a great extent, reflections of weaknesses that might not be overcome by individuals, organizations, and governments taking up the opportunities:

Since the volume of regional organic product varies seasonally, it is difficult to keep a full operation running year-round. One of the distribution systems we assessed, for example, is essentially a five-month operation.

Seasonality also presents the challenge of feast or famine for organic food products in the Upper Midwest. When local products are in-season the market is often glutted, whereas for much of the rest of the year little product is available.

The economies of scale that organic agribusinesses enjoy allow them to produce at a lower cost per unit than family-farm operations. This competitive advantage is balanced, to some degree and in specific cases, by higher, distance-related transportation costs.

Some opportunity-related ventures will not succeed without government financial support.

Without farmers properly trained in and equipped for PHH procedures, it is difficult to maintain the consistent quality of product and sufficient shelf life required by retailers. Moreover, consistent quality will have to become an integral component of the brand equity created by a local food system for local organic. A dearth of low-tech PHH equipment suitable to the small-scale needs of family farmers exacerbates the problem. Large-scale organic agribusinesses in California and elsewhere, on the other hand, have very effective PHH operations in place.

Without leverage as a group, small farmers are at the mercy of retailers and wholesalers, who often drive margins down to a minimum. Furthermore, they are often unwilling to make any kind of commitment to individual farmers, thereby leaving much risk at the door of the producer.

The current consumer mindset is predominately price-oriented. Local organic can only thrive when wider perspectives such as taste, freshness, and environmental and health issues play a more central role in buying decisions.

Along with the rich diversity of organic varieties comes the fact that they are not normally grown for uniformity of appearance; they are not usually "shiny and perfect" in a way that corresponds to mainstream consumer expectations and desires.

Currently, it is very difficult to find contract truckers with refrigerated trucks who are willing to pick up product at farms, particularly when it means less than full (LTL) loads of below 10 pallets. Moreover, the outsourcing of trucking in general usually brings with it many headaches.

4.0 Recommendations

4.1 Private Sector

We recommend new and increasing private-sector investment in Illinois' organic-food system. Such investment – particularly in the marketing chain from farmer to consumer and in farmer training – will improve the odds that the state's organic producers will be able to satisfy the growing demand for organic food.

The private sector will respond to an investment opportunity in one of two ways:

If the "market" perceives that the potential reward, relative to risk, is acceptable, the private sector will take up the opportunity without government assistance.

For example, if lenders like a business plan – with its description of the venture, the market potential, the track record of the owner, the amount of equity the owner will put in, and the projected financial performance – they will approve a loan on conventional, commercial terms.

If, on the other hand, the market's view of the risks relative to potential rewards is negative, it may be necessary for government to provide an inducement.

Taking the same example of a bank loan, if the lenders are skeptical of the business plan, they may be prepared to lend if a government entity shares in the risk by guaranteeing repayment of all or part of the loan.

This thesis is admittedly simplistic. For instance, it has been widely reported that most new businesses fail, suggesting that investors (and lenders) often get it wrong when assessing risks

and rewards. And governments have been accused of unnecessarily "squeezing out" the private sector in some parts of the economy. Simplicity aside, the scale of the expansion needed in Illinois' organic-food system requires the mobilization of private capital – lots of it and with or without government assistance.

The private sector, in its broadest sense, includes all non-government entities, for example:

- Individuals.
- Sole proprietorships.
- Partnerships.
- Corporations.
- Cooperatives.
- Nonprofit agencies and non-governmental organizations (NGOs).
- Private colleges and universities.

Some of the inadequacies in the organic-food marketing chain identified through our research suggest investment opportunities for individual farmers, small businesses, cooperatives, and even nonprofits:

- On-farm or close-to-the-farmers post-harvest handling and warehousing facilities.
- Short-distance refrigerated trucking.

Larger businesses (including those with individual farmers as investors) and cooperatives should view the lack of – and apparent demand for – organic-meat processing, longer-distance refrigerated trucking, and close-to-the-customers urban warehousing as investment opportunities for them.

There may even be a role for the private sector in training farmers in organic methods and in assisting them with the transition from conventional to organic agriculture. In some cases these opportunities may be taken up by self-employed trainer/consultants, cooperatives, nonprofits, colleges and universities.

As stated above, some private-sector investments may not be feasible in the absence of government support. For examples of government programs that provide financial assistance to private-sector ventures in organic agriculture, see Section 6.5, herein.

4.2 Farm Sector

The weakness in the marketing, processing and distribution system for organically raised food within Illinois' makes it even a greater imperative that farmers begin to close these gaps on their own, without waiting for government and private interests. That is not to say that growers should not be lobbying the federal, state and local governments to implement policies and programs that will uniquely benefit Illinois' organic food production. However, the most direct way to meet the challenges of the current organic food system is for farmers to take a stronger

leadership role in the areas that have been identified. Illinois' organic farmers, ranchers and groups that directly represent them, can either individually or in collaboration with business, land-grant universities and NGO's begin to explore and implement the following recommendations:

1. ***Produce or specialize in crops that are uniquely suited for Illinois' soil types and biodiversity***-the competition for Illinois' organic food market is literally global in nature. Organic foods are imported from California, Oregon, Idaho, Mexico, Chile, South Africa and Israel to name just a few. While expanding total organic production in the state is the overall goal, the strategic task for Illinois' organic farmers is to plant those crops that are well suited to soil and climate of the state. This should bring farmers higher yields, reduce costs of PHH and allow economies of scale to develop in transportation and processing.

2. ***Certify their farming practices as organic***-while the exact number of farms using organic practices over and above those that are certified is difficult to quantify, it's likely that most are "nearly organic". Certifications from groups such as the Food Alliance take into account the need for transition to fully integrate organic practices by farmers and could be used as a method to enter food into a graduated system, much as USDA standards establish grades for grains, meat and other farm products. For the organic food system to reach more consumers via food service and retail channels, it will need to be certified as such. The more effort farmers spend now in certifying their farming and ranching practices, the more they will be able to supply to new processor and distributors in the organic market.

3. ***Collaborate with business to deliver consumers value-added organic foods; such as prepared, pre-packaged and ethnic specialties***-growing organic foods for specific consumers markets will help farmers reduce risks and capture a share of value that is inherent in these types of food products. Businesses will be more likely to put up capital for infrastructure and marketing of niche organic brands, if they know they will have a steady supply of farm products.

4. ***Provide more services to capture value along the marketing chain***-this strategy has worked well for farmers in Europe and elsewhere. Farms literally can become their own brand, which as a particular attraction on a local or regional basis. Research has shown that consumers place a high value on locally grown food and knowing the farmer that has raised it. To the extent farmers are able to not only grow but pack, warehouse, transport and deliver directly to retail outlets, the larger margin they are likely to capture.

5. ***Share in value with intermediaries who are providing direct and indirect services***-not every farmer will have the skill or the desire to move organic produce, meat and grains through the marketing chain. In these cases, the farmer needs to be prepared to pay for these services to increase sales. Groups like Red Tomato, a non-profit marketing organization that uses its brokerage services to find markets for family

farmers; and Family Farmed.org, another non-profit that has developed a retail brand for local, organic food; are two excellent examples of how farmers can increase their incomes through the use of third-party services

4.3 Public Sector

Federal, State, and City governments plus university and extension programs, can play a key role in helping to build the capacity of the regional organic food system. After looking at ways in which the public sector has supported organic food systems in other states, we have developed the following recommendations:

State

1. Create a State Organic Task Force. The Governors of both Wisconsin and Minnesota created organic task forces to examine ways in which the state can support the growth of the organic farming and processing sectors and give specific recommendations for implementing policy and funding initiatives. Creating such a task force in Illinois could be a valuable way to engage key agricultural, industry, academic, and NGO leaders in a process to boost organics in Illinois. Such a task force can also examine ways in which current policies and regulations unduly restrict organic and smaller scale farmers from effectively managing their operations and recommend ways in which the state can remove these hindrances.

2. Identify key private sector projects that can benefit from state support and provide grants, loans, tax rebates and other appropriate measures to encourage private investment in the organic sector.

Federal

1. Use EQIP to fund Organic Conversion. In Minnesota, the USDA's Natural Resources Conservation Service allows farmers to access funding from Environmental Quality Incentives Program (EQIP) to fund conversion to organic farming. When this fund was initially launched in 2002 and 2003, 8,000 acres were converted to organic using $1.6 million in EQIP funds. Because of its success the NRCS has continued the project in Minnesota.

City

1. Composting. The city of Chicago has the opportunity to set up a program to develop a municipal compost facility to turn leaves, fruit and vegetable scraps, and other organic material into compost. This would provide a valuable input for organic producers in both urban and rural settings.

2. Urban Agriculture. There are many excellent urban agriculture programs in Chicago. The next step is to analyze best practices and develop a plan to implement widespread greenhouse production for vegetable production.

University/Extension

1. Continued support for the Illinois Organic Conference. In 2005 and 2006 the University of Illinois and Extension Program supported the Illinois Organic Production Conference.. 270 people attended in 2006, including many conventional producers considering transition. This is an excellent resource for producers that will continue to grow with proper funding.

4.4 Public-Private Partnership

1. Farmer Training and Development Programs. There are numerous farmer training and development programs in the state focusing on training new producers. Expansion of these programs is critical if the state is going to train enough farmers to meet the huge demand for organic food with local products.

2. Multi-Species Meat Processing. There is a critical need for a new multi-species organic meat processing facility in Illinois. Financial support from Illinois can help make such a facility a reality.

3. Distribution. Chicago based Goodness Greeness is planning to build a much larger warehouse/corporate headquarters. City and State of Illinois support would enable them to build a large facility that gives them the opportunity to expand into other markets including meat, dairy and other value added products. In addition, the state should consider supporting the creation of regional warehouse/distribution centers in vegetable producing areas in conjunction with farmer groups who want to pool their vegetable production. The Midwest Organic Farmers Cooperative is interested in such a system and there may be others.

4. Create a year-round Public market in Chicago. In the fall of 2005, the city of Milwaukee opened a permanent public market in its historic Third Ward. The market is a beacon for those who want to buy food from local farmers throughout the year. It provides consistent markets for farmers who are growing products year-round and also builds consumer loyalty for such products. Such a market located in a prime downtown Chicago location would greatly benefit the local organic food system and also provide new jobs and economic development in the City.

5. Expand Farmers Markets. Farmers Markets are booming throughout the state, yet some cities and communities still do not have a market. Programs to strategically expand and promote farmers markets will help this phenomena continue.

6. Land Preservation Strategies. The Chicago Area Organic Farmland Preservation Strategy Task Force is implementing a strategic plan to make 7,000 acres (an average of 1,000 per Chicago-area county) available for organic farming by 2020. This goal can become a reality by utilizing land trusts, Forest Preserve Districts, conservation easements, purchase of development rights, in addition to fee simple purchases with leasebacks.

4.5 Economic Evaluation

Drawing largely on the results of the focus groups, surveys and our recommended actions, we present three capital projects to enhance the adequacy of Illinois' Organic Food System:

a) An organic meat processing plant.
b) An organic food warehousing facility.
c) A year-round organic market.

The economic evaluations that follow include the following elements:

- A general description of the project.
- Project cost.
- Schedule.
- Economic performance and impact.

4.5.1 Organic meat processing plant

After conversations with stakeholders in the organic and natural meat sector, Sustain has worked with Food and Livestock Planning, Inc., to analyze three possible scenarios for organic meat processing plants[23]:

Scenario 1

General Description: This plant would be capable of total slaughter, boning, and further processing of natural and organic beef, lamb and hogs. Such a facility would be able to handle 14,000 head of cattle, 17,500 hogs, and 7,500 lambs per year.

[23] E-mail correspondence with Keith DeHaan, Managing Principal, Food and Livestock Planning, Inc., January 2006, Kansas City, Mo.

This 31,000-square-foot plant would be built of steel on a 40-acre site.

Project Cost: The estimated capital cost is $9.75 million, inclusive of land, building, and equipment.

Schedule: Such a facility can be built in 10 months (i.e., from financial closing to start of commercial operation).

Economic Performance and Impact: Once fully operational, a plant of this type can be expected to enjoy annual sales of approximately $26 million. Net profit would be in the range of 2 percent to 5 percent of the gross revenue figure, depending upon how efficiently the operation is managed.

This facility would require approximately 98 employees, of which 45 would work in fresh slaughter, 42 in further processing, and 11 in management and administration. The slaughter and processing jobs would pay around $10 per hour (not including benefits), while management and administrative positions would average $40,000 - $45,000 per year.

In very broad terms this operation would generate an annual payroll of approximately $2.2 million.

The plant also would add to the tax-base of the community in which it is built.

Scenario 2

General Description: This plant would be devoted exclusively to natural and organic beef and would be designed for slaughter and boning only (i.e., no further processing). It would be capable of handling 50,000 head of cattle per year.

The 30,000-square-foot plant would be built of concrete and steel on a 40-acre site.

Project Cost: The estimated capital cost is $7.5 million, inclusive of land, building, and equipment.

Schedule: Such a facility can be built in 10 months (i.e., from financial closing to start of commercial operation).

Economic Performance and Impact: Once fully operational, a plant of this type can be expected to enjoy annual sales of approximately $61 million. Net profit, as in Scenario 1, would be in the range of 2 percent to 5 percent of the gross revenue figure, depending upon how efficiently the operation is managed.

This facility would require approximately 108 employees, of which 38 would work in fresh slaughter, 60 in boning, and 10 in management and administration. The slaughter and boning

jobs would pay around $10 per hour (not including benefits), while management and administrative positions would average $40,000 - $45,000 per year.
In very broad terms this operation would generate an annual payroll of approximately $2.5 million.

The plant also would add to the tax-base of the community in which it is built.

Scenario 3:

General Description: Beef, hogs and poultry (multi-species business plan). This plant is described in a 2005 document titled "Organic Business Development: Multi-Species Processing Plant Business Plan," which was prepared by a team from University of Illinois Extension and MBA students from Milliken University for a private developer.[24]

The proposed plant would be capable of total slaughter, boning, packaging, and freezing of beef, hogs and poultry. It would promote itself as a "small processing facility," and its market niche would be the production of organic, drug free, and traceable meats for custom producers, for wholesale buyers and for retail sale at an on-site outlet.

Conventional, non-organic meats also would be produced (i.e., on an alternating schedule to maintain the integrity of the organic processing).

This facility would be able to process 1,440 head of cattle, 4,800 hogs, and 96,000 chickens per year plus small quantities of other species (e.g., sheep and goats).

To be designed and operated as a "Tallmadge-Aiken" plant, it would be able to receive animals and sell meat across state lines.

The building dimensions would be 150 feet by 75 feet and would be built on a 10-acre site in central Illinois, between interstate highways 80 and 70.

Project Cost: The estimated capital cost is $1.26 million, inclusive of land, building, and equipment. An additional $1.6 million would be required for working capital. A capital structure of 47 percent equity and 53 percent debt was assumed for purposes of financial analysis.

Schedule: The estimated time required to build the facility was not included in the business plan.

Key Risks: Among key risks acknowledged in the business plan are the ability to attract and maintain competent meat cutters; quality control; actual production volumes; disease; and competition.

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[24] Bhavani Bhimavarapu, Jamie Ford, Kenneth Harding, Robert Hooten, and Daniel Lattz, “Organic Business Development: Multi-Species Processing Plant Business Plan,” n.p., April 2005.

Economic Performance and Impact: The business plan included detailed pro forma financial projections, which forecasted the following results:

Sales growing from $1.2 million in the first year to $4.3 million by year 10.

Positive net income beginning in the first year and rising to $496,000 by year 10.

The ability to pay dividends to the equity investors starting in year 3.

While the business plan did not describe the size of the workforce required for this operation, payroll expenses were projected to grow from $258,000 in the first year of operations to $395,000 by year 10.

The plant also would add to the tax-base of the community in which it is built.

4.5.2 Organic Food Warehousing Facility

General Description: The organic food market is growing at a rate of 20 percent per year, and retailers are dramatically increasing the number of organic products offered to consumers. Moreover, the demand for organic food is expanding beyond retail to food service, food processing and restaurants. These latter markets are more fragmented than the retail market, giving advantage to local suppliers who can offer a variety of products. In response to this growing demand, a Chicago-based organic food supplier has conducted a preliminary study into building a 40,000-square-foot refrigerated warehouse to supplant a warehouse space it now rents.

The new 40,000-square-foot warehouse will enable the firm to keep up with the growth of their organic food business for the next several years – but probably not beyond that. Once the capacity has been enlarged to 40,000 square feet, the company will be able to handle approximately 900 Stock Keeping Units (SKUs) of organic food products. In 3-5 years the company expects to face demand for organic products approaching 2,000 SKUs.

If funding were available, ideally the company would build a new warehouse facility of at least 80,000 square feet. This would be a "brownfield" project using leading-edge inventory technology and refrigeration. The facility would be located on a minimum of 5 acres, have convenient access to multiple interstate highway routes, rail, or intermodal service, and would be built in a community where 24-hour-per-day operations would not be viewed as disruptive.

Project Cost: The estimated capital cost of the 40,000-square-foot refrigerated warehouse is $4.8 million, inclusive of land, building, and equipment. This sum does not include the cost of upgrading local infrastructure like streets, sewers and other utilities.

Government financial assistance likely would be required for an 80,000-square-foot warehouse. The estimated cost of such a facility is $9.6 million, inclusive of land, building and equipment.

Schedule: The new warehouse can be built in 3-6 months (i.e., from financial closing to start of commercial operation), depending upon the time required for upgrades to the local infrastructure.

Economic Performance and Impact: Due to the highly competitive nature of this industry, the company cannot share its forecasts of revenues based on the proposed warehouse project. However, sales currently are growing faster than the 20-percent annual rate now enjoyed in the organic market generally. It is reasonable to assume that additional warehouse capacity and the increased number of SKUs it will afford will enhance the rate of growth even more.

As regards to employment, the firm's workforce will increase significantly once the new and larger warehouse has been built. The current payroll of 60 is projected to grow to approximately 85 at the new 40,000-square-foot facility. At least 120 employees would find employment in an even larger, 80,000-square-foot warehouse.

The employees work at "living wage" jobs, with the majority of long-term hourly employees making between $15 and $22 per hour. All employees receive health care, retirement, and vacation benefits.

The ongoing growth in demand for organic food, combined with an market share, has the potential to push the firm's payroll to a total of 150-200 employees within three years of an 80,000-square-foor warehouse expansion.

In terms of local multiplier effects, including investment and employment, there are opportunities for new food, motel, and retail services to develop in the vicinity of the new warehouse. Currently, over 300 trucks per week make deliveries to the company's warehouse. That number will increase to around 500 with a 40,000-square-foot warehouse and to nearly 1,000 in an 80,000-square-foot facility. Since the operation runs 24 hours per day, seven days per week, the potential for truck traffic is over 25,000 annually. New local and state sales tax revenues resulting from convenience and fuel sales could be significant.

The new warehouse also will add to the tax base of the community in which it is built.

4.5.3 Year-Round Public Market

Year-round public markets have succeeded in several North American cities, including Seattle, Philadelphia, New Orleans, Vancouver, and Toronto. Such markets have been properly viewed as excellent outlets for the sale of local and regional organic food products.

A year-round public market in Chicago, which could give a great boost to Illinois organic agriculture, is at the conceptual stage. In fact, the City of Chicago included the prospect of a permanent public market in a recent request for proposals to conduct a planning study for the Wacker Drive Riverwalk in downtown Chicago.

The impetus behind the development of a public market is a recommendation from the Chicago Organic Steering Committee "to support the production, distribution, and marketing of locally

grown, healthy food, other agricultural products and value-added goods. The products and support should be available, accessible, and affordable year-around to all city residents.…"[25]

Sustain and Project for Public Spaces in their own proposal responding to the Riverwalk RFP, listed some of the ways in which a year-round market is likely to benefit Chicago and the surrounding region:

1. **Economic Development:** Public markets keep money spent on food inside the region and provide opportunities for new entrepreneurs as well as farmers.

2. **Community Development:** Public markets are places where diverse people connect with their food and each other. They easily become the hearts of neighborhoods and major destinations in the city.

3. **Tourism:** Public markets are often premier destinations for tourists and can highlight the bounty of the region.

4. **Food Security:** Public markets connect people with fresh food and promote healthy lifestyles. Promoting local food sources reduces reliance on the global food market.

5. **Ethnic Diversity:** Niche and ethnic markets are up and coming. Public markets can provide opportunities for people to experience the diverse food products of new immigrants, while providing business opportunities for those new arrivals.

6. **Regional Health:** Public markets benefit both the urban and rural communities of the region. With a strong farmer component to a public markets, farmland is preserved, fresh seasonal food is promoted, the distance food travels is reduced thus impacting emissions and fuel usage.

Milwaukee Public Market

The Milwaukee Public Market, which opened in October 2005, may serve as a model for development of a year-round market in Chicago:

General Description: A mere concept as long ago as 1997, a concrete plan for the Milwaukee Public Market was laid out in considerable detail in a 1999 feasibility study by Market Ventures, Inc. The authors observed that, "A public market can be an excellent location to showcase organic and all-natural production methods."[26]
The comprehensive goals for the proposed market included the following:

[25] Chicago Department of Planning and Development, "Chicago Organic: Restructuring Chicago's Food System [draft]," Chicago, July 2004.
[26] Market Ventures, Inc., "Milwaukee Public Market: Concept & Feasibility," Portland, Maine, August 1999, pp. 3-4.

To enhance Downtown Milwaukee as an attractive place to live, work, and visit by creating a unique source of high quality fresh foods and by creating a place that welcomes all segments of the community.

To create economic opportunities for Wisconsin farmers and food producers, particularly through direct marketing, and to celebrate and enhance the area's multiethnic food and agricultural traditions, including the recent emergence of organic growing methods.

To provide affordable retailing opportunities to independent, owner-operated businesses, incubate start-ups, and create jobs.

To preserve the Historic Third Ward's longstanding market activity and create a vibrant market district that incorporates existing and new uses in the historic structures in the neighborhood. These uses must be compatible with and reinforce the core Market activity.

To create a model for direct marketing, local food promotion, and downtown revitalization that can be a prototype for other communities.[27]

After much study and a successful effort to raise funds through government grants and corporate and private donations, construction of the Milwaukee Public Market was begun in 2004. Outdoor stalls opened for business in July 2005, while the indoor market was inaugurated to much public fanfare in October 2005. The market is owned by the Historic Third Ward Association and operated by the nonprofit Milwaukee Public Market, Inc. It is housed in a newly constructed, 21,500-square-foot building at 400 Market Street. Its design was inspired by Les Halles Centrales, the Paris landmark that was razed in 1971 after more than 100 years as a public market.[28] With merchants' spaces on the ground level, this new building also contains a second-floor, 55-seat demonstration-kitchen-cum-theater, where cooking classes are offered.

According to press reports and interviews with MPW officials, one of the market's highlights is the Fields Best booth at the indoor market. It is owned by the Michael Fields Agricultural Institute and during the growing season Fields Best markets organic produce from a pool of Wisconsin organic farmers. "The response to Fields Best at the market has been beyond expectations," says Ron Doetch, executive director of Michael Fields. "Our sales have been great. The community really appreciates the connection with the local farmers."

Project Cost: Press reports on the total cost of the project vary, but it appears to have cost approximately $11 million.[29]

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[27] Ibid., p. 2.
[28] Pete Millard, "A New Market for Downtown Milwaukee: Architects Turn to City, Paris for Inspiration," *The Business Journal of Milwaukee*, 6 June 2005.
[29] Ibid.

The Milwaukee Public Market apparently has been financed entirely with government grants and loans and with corporate and private donations. Among those entities reported to have participated in its funding are

- U.S. Department of Commerce, Economic Development Administration.[30]
- Wisconsin Department of Commerce.[31]
- Miller Brewing Co.[32]

Schedule: A public groundbreaking ceremony was held in late June 2004, and the indoor market was opened to the public for the first time some 16 months later.

Economic Performance and Impact: With less than a year's operational experience in hand, precise performance data are not available. In their 1999 feasibility study, Market Ventures projected that, over time, sales by vendors would grow to as much as $16.5 million annually; that the market itself would be operating profitably after two years; and that eventually the equivalent of 120 full-time jobs would be created. Market Ventures also speculated that the Milwaukee Public Market would serve as a real estate "anchor" for redevelopment of an older (and apparently somewhat decrepit) part of downtown Milwaukee.[33]

The Milwaukee Public Market recently reported that 21 of its 23 indoor vendor spaces were under lease.[34] Among the businesses operating indoors are a florist, a fresh poultry vendor, a coffee roaster, an artisan baker, a sushi restaurant, a shop specializing in Wisconsin food products, and a seller of certified organic produce.[35]

From July to November an additional 19 vendor spaces are available outdoors, and, according to the market's Web site, leasing of those spaces has been brisk.

The grand opening of the indoor Milwaukee Public Market, on October 15, 2005, reportedly attracted a throng of 20,000.[36]

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[30] "Milwaukee Public Market Project Awarded $2.5 Million Grant," *The Business Journal of Milwaukee*, 23 April 2004.
[31] "Milwaukee Public Market Breaks Ground; Receives State Aid," *The Business Journal of Milwaukee*, 30 June 2004.
[32] "Miller Doles Out $1.8 Million in Community Initiative," *The Business Journal of Milwaukee*, 30 June 2004.
[33] Market Ventures, "Milwaukee Public Market," p. 6.
[34] Jeannette Hurt, "To Market, To Market: How Wendy Baumann Turned a Dream of a European Market into Milwaukee's New Foodie Paradise," *Lake Magazine*, February/March 2006.
[35] For more information on the Milwaukee Public Market, visit their Web site: http://www.milwaukeepublicmarket.org.
[36] Jeannette Hurt, "To Market, To Market."

There seems to be much redevelopment activity in Milwaukee's Historic Third Ward. In 2005 the market's owner, the Historic Third Ward Association, announced major new projects by developers, including a mixed-use commercial and residential project – directly across the street from the market[37] – as well as a 12-storey hotel-and-condo plan.[38]

If the Milwaukee Public Market is not the anchor for neighborhood redevelopment, as envisioned by Market Ventures in their 1999 feasibility study, it certainly is part of the action.

In Section 6.0, we have outlined a list of both private and public financing sources that could be used to fund these capital projects.

5.0 Future Uses and Benefits Derived from the Study

5.1 Policy and Decision Making

There are many ways in which this study can contribute to decisions made by policymakers on a federal, state, and local level. Since Illinois and Chicago are the epicenter of a $2 billion regional market for organic food, the opportunities for economic development and job creation in this sector are immense. We believe the findings and recommendations give ample opportunities for government officials to act.

We are particularly excited about the opportunity to create an Illinois Organic Task force. Both Minnesota and Wisconsin benefited greatly from the recommendations of similar initiatives in their states. We hope Governor Blagojevich will take a similar step and create such a board in Illinois.

5.2 Public and Private Investment

Individuals often benefit – sometimes financially – from public (i.e., government) investment. But public investments always must serve the public good, however defined.

Many private investments also serve the public good. However, any private investment must offer a reasonable chance for the investor to make a profit. Absent the potential for financial reward, no risk will be taken in the private sector.

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[37] Pete Millard, "More Development for 3rd Ward: Project on St. Paul Would Include Retail, Residential, Parking," *The Business Journal of Milwaukee*, 04 March 2005.
[38] Pete Millard, "Hotel, Condo Project Planned for 3rd Ward," *The Business Journal of Milwaukee*, 3 June 2005.

When a government invests on a stand-alone basis, often it is in an activity in which the private sector sees little or no profit potential. Conversely, most private-sector investment opportunities hold enough promise to make government assistance unnecessary.

When a government offers financial support to private-sector ventures – in the form of cash subsidies, loan guarantees, interest rate subsidies, tax breaks, training assistance, and so on – it does so under the premise that a public good can be served by a private-sector activity that is not likely to be sufficiently profitable without the government's financial support.

This study has examined Illinois' organic food system, its capacity, and its inadequacies. Moreover, it has identified opportunities for both public and private investment – opportunities for investments that will serve the public good and including some that will reward private investors with the potential to make a profit. In this sense the present study has an agenda-setting function. Going forward, as governments and private investors – particularly in Illinois – weigh the relative merits of the myriad opportunities to invest, it is our hope that this study will have shed some positive light on Illinois' organic food system. It is a system in need of both public and private investment.

This study has contributed, perhaps only in a small way, to ongoing research and reporting in the field of organic agriculture. We hope that future researchers will take the next steps in gathering and reporting the data upon which public and private investments in organic agriculture are based, for example:

- Development and regular updating of a complete list of Illinois organic farmers, their locations and contact information, and the products they offer for sale.
- Development and regular updating of a complete list of individuals, firms, and organizations in the organic-food marketing chain in Illinois: cooperatives, CSAs, U-picks, roadside stands, farmers markets, post-harvest handlers, cleaners, truckers, processors, canners, manufacturers, brokers, distributors, retailers, and Web sites.
- Regular updating of the list of sources of financing – both private and government – for projects related to organic agriculture.
- Development of a Web site or other central registry that seeks to match investors with investment opportunities in the organic-food sector.
- Regular reporting on pending legislation and international agreements (e.g., affecting agricultural subsidies, organic certification, and trade in organic food) that bear on investments in organic agriculture.

5.3 Business, Government, Philanthropic and NGO Collaboration

There is already tremendous collaboration between Business, Government, Philanthropic and NGO resources. This report, which received lead funding from the Illinois Department of Agriculture and the United States Department of Agriculture's Federal State Marketing Improvement Program details many examples of these synergies. Illinois philanthropists have expressed their commitment to many of these principals and funded a report, "Feed Ourselves, Strategies for a New Illinois Food System," as a guide for some of their funding activities. The

City of Chicago has also been active in this arena, and Mayor Daley's Chicago Organic Committee has developed a plan for ways in which the City can move forward in developing this niche.

We believe the strength in this report is its commitment to market driven change. The bottom line is that organic food is now a vibrant, rapidly growing business that is providing economic opportunities for businesses big and small throughout the region. With added support collaboration between business, government, philanthropists, and the non-profit community, it will only continue to grow.

6.0 Survey Methods

6.1 Focus Groups

Eleven Focus Group discussions were organized to gather data for this study. The broad issues discussed in these focus groups are listed below. More detailed lists of focus-group questions, names and affiliations of participants, as well as notes from the discussions, can be found in the Appendix of this report.

a). Food Security Summit, 2002

The first focus group was held in November, 2002 at the Chicago Community Trust's Food Security Summit in Chicago, Illinois and included 17 invited participants. These participants were asked (1) to participate in the framing of questions for the present study; (2) how well the current distribution infrastructure meets the needs of this constituency; and (3) to identify the issues and interests around development of a local organic distribution system.

b). Illinois Specialty Food Growers Conference, 2003

In January, 2003, at the Illinois Specialty Growers' Conference in Springfield, Illinois, 15 conference participants were invited (1) to participate in the framing of questions for the present study; (2) to identify the specific needs and interests of the specialty-grower constituency; and (3) to describe which needs were and were not being met by the existing organic-food distribution infrastructure.

c).Upper Midwest Organic Farming Conference, 2003

Undertaken in March, 2003, 10 attendees at the Upper Midwest Organic Farming Conference in Lacrosse, Wisconsin, were asked (1) to participate in the framing of questions for the present study; (2) to identify the specific needs and interests of the organic-grower constituency; and (3) to describe the infrastructure necessary to support an Illinois-based distribution system for these growers.

d). Illinois Specialty Growers Conference, 2004

In January, 2004, at the Illinois Specialty Growers' Conference held in Springfield, Illinois, eight conference attendees were asked (1) to participate in Sustain's feasibility study to assess infrastructure in place and available to support an Illinois-based distribution system for locally grown and produced organic food; (2) to identify components needed to support the growth and increased utilization of the system; and (3) to represent the needs and interests of this constituency (growers and providers).

e). Organic Crop Improvement Association (OCIA), 2004

In March, 2004, 9 people attending the Organic Crop Improvement Association (OCIA) Annual General Meeting in Springfield, Illinois, were assembled to discuss the value chain for locally grown organic food, from farmer to consumer. These seven farmers and two bakers covered topics including post-harvest handling, trucking, central drop-off points, packing standards, the role of middlemen, and farmer training.

f). Regional Planning Forum, 2004

Six focused discussions were undertaken in April, 2004, at the Regional Planning Forum convened by Sustain in Chicago, Illinois.

The forum brought together many of the leading academics and NGO leaders in the region to get their feedback on issues pertaining to the regional food system. Participants included:

Iowa
Fred Kirschenmann, *Director, Leopold Center for Sustainable Agriculture*

Illinois
Robert Easter, *Dean of the College of Agricultural, Consumer and Environmental Sciences, University of Illinois*
Wes Jarrel, *Head of Department of Natural Resources and Environmental Sciences, University of Illinois*
Deborah Cavanaugh Grant, *Extension/Research Specialist in Agriculture, University of Illinois*
Dan Anderson, *Research Specialist, College of Agricultural, Consumer and Environmental Sciences, University of Illinois*
Michelle Wander, *Associate Professor, Soil Fertility/Ecology, University of Illinois*

George Ranney, *Executive Council, Chicago Metropolis 2020*
Vicky Ranney, *President, Prairie Holdings Corporation*
Mike Sands, *Director, Liberty Prairie Foundation*
Tom Spaulding, *Executive Director, CSA Learning Center at Angelic Organics*
Juli Brussel, *Program Director, Illinois Stewardship Alliance*
Carl Grimm, *Program Developer, Garfield Park Conservatory*

Michigan
Michael Hamm, *Chair, CS Mott Group for Sustainable Agriculture*
Jim Bingen, *Professor, Resource Development, Michigan State University*
George Byrd, *Professor, Resource Development, Michigan State University*

Minnesota
Jim Riddle, *Chair, National Organics Standards Board*
Helene Murray, *Director, Minnesota Institute of Sustainable Agriculture, University of Minnesota*

Wisconsin
John Hendrikson, *Senior Outreach Specialist, Center for Integrated Agricultural Systems, University of Wisconsin*
Steve Stevenson, *Senior Scientist, Center for Integrated Agricultural Systems, University of*
Ron Doetch, *Executive Director, Michael Fields Agricultural Institute*
Will Allen, *Director, Growing Power*

A key element of the meeting included group discussions on six key areas. The table below lists the key areas, the name of each group's "presenter," and each presenter's affiliation:

Key Area	**Presenter**	**Affiliation**
Access to land and capital	George Bird	Michigan State University
Processing and distribution infrastructure	Steve Stevenson	University of Wisconsin
Marketing assistance	Jim Riddle	University of Minnesota
Public policy	Mike Hamm	Michigan State University
Public/private	David Konrad	Prairie Crossing

partnerships		
Local organic farmer development/training	Wes Jarrell	University of Illinois

6.2 Surveys

The feasibility-study team surveyed three target groups:

Farmers
Chefs and chef/proprietors
Organic-food distributors

The methods used to gather data from the target groups are described below:

a). Farmers

1. Study Objectives: to determine the current status of conventional and organic agriculture in Illinois; to identify potential providers of organic products for this market; to assess infrastructure in place and/or necessary to support an Illinois–based distribution-and-marketing system.

2. Study Population: Illinois, specialty growers and certified organic growers

3. Study Instruments: Written surveys.

Methodology

Surveys were sent to 250 Illinois specialty growers, while 96 were sent to Illinois certified organic growers. Of a total of 346 surveys distributed, 64 were completed and returned, representing 18.5 percent of total.

Specialty Growers. Sustain partnered with the Illinois Specialty Growers Association on this project. They mailed surveys to 250 specialty growers in the State of Illinois.

Certified Organic Growers- The study team was able to procure membership lists from certification agencies, which inspect and certify organic farms annually. The team contacted 13 agencies to request lists of certified growers. Only three of these had members in Illinois. These

agencies provided us with the addresses of 96 organic growers, as indicated in the table below. The table also indicates which certification agencies assisted us with Illinois contacts and the number of contacts they provided:

Certification Agency	**Number of Contacts Provided**
OCIA International	83
Midwest Organic Services Association	10
Oregon Tilth	3
Total	**96**

USDA data show 108 certified organic growers in Illinois for the year 2001. Our survey reached almost 90 percent of that total.

b). Chefs and Chef Proprietors

1. Study Objectives: To evaluate the restaurant market for locally grown organic food in Illinois; to identify potential restaurant providers of organic food for customers in Illinois; to assess infrastructure currently in place and/or necessary to support an Illinois-based distribution and marketing system that would be beneficial to chefs and restaurant proprietors.

2. Study Population: Illinois chefs and chef/proprietors

3. Study Instrument: written surveys.

Methodology

The surveys were developed by Charlotte Flinn, LOI Project Manager, (define LOI)in collaboration with the LOI project team and selected focus groups. The LOI project team is composed of individuals with expertise in organic farming, organic food distribution, food retailing, food systems development, supply chain management, restaurant management and environmental advocacy campaigns. Project team members assisted in drafting survey questions within their respective areas of expertise. Several team members reviewed the drafts prior to final approval. Focus-group participants at the Food Security Summit were involved in framing questions and in ordering the areas of inquiry for the survey.

A growing number of chefs in the Chicago area use organic food and actively promote it to their customers. We selected a sample of 90 chefs for this survey. The target market was based on

restaurants that currently use some local or organic products, as well as other restaurants that might be interested in them.

Basic data was collected through written questionnaires that were mailed and accompanied by a stamped envelope with return address. Telephone calls alerted chefs to the mailing, and follow-up calls supported the effort to retrieve completed surveys.

19 chefs responded representing 21% of the 90 chef and chef/proprietors to whom the survey was mailed.

Examples of each survey are located in section 6.2

c). Organic Food Distributors

1. Study Objectives: To determine the strengths and weaknesses of existing organic-food distribution systems; to identify components of existing infrastructure and their utilization; to identify components needed to support the further development of the local organic food distribution system.

2. Study Population: Wholesale and retail distributors of organic food, specifically

3. Study Instrument: A detailed questionnaire for use in personal interviews.

Methodology

Executives of the following organizations were interviewed:
Growing Power
Goodness Greeness
Homegrown Wisconsin

The questionnaire was designed to yield data for use in an analysis of the Strengths, Weaknesses, Opportunities, and Threats (SWOT) of the existing organic-food distribution systems.

6.3 Description of Data Sources

USDA and State Ag Statistics

The amount of data gathered and made available on the US farm economy is truly astounding. USDA has done and continues to do an excellent job of making this data available to the public. Its online databases in particular are extremely helpful to any research being done in the agriculture sector. However, in the case of production, pricing and other census information

specific to organic food, the data is almost non-existent. USDA Census data on the organic food sector was been generated for the first time in 1997 and 2002. We could find no data or information on the organic market that was produced by the Illinois State Department of Agriculture. It is understandable; given that the amount of organic food available is such small percentage of total Ag production, the USDA has not focused resources on gathering data on a yearly basis. Yet as a food market segment that is growing at 20-25% annually, the lack of statistics does hamper the decision making process for growers, processors, distributors and investors.

Industry Statistics

The majority of industry statistics are of a proprietary nature, leaving researchers to hunt through journals, periodicals and trade magazines for information regarding organic food markets. Our task was no different. Since organic food has gathered increasing interests from consumers and the media, there have been a large number of articles and editorials written over the last several years to help in our research. In addition, we were fortunate to have access to a number of market participants who were willing to offer their insights, opinions and market knowledge to help with this report

Other Secondary Statistics

We utilized a number of other data sources, including academic research, GAO reports, UN and EU studies as well as public and private sponsored analysis of organic food systems and the overall agricultural market.

Agricultural Mapping

An interesting feature of this study was the creation of maps plotting organic resources and infrastructure in Illinois and throughout the Midwest region. Using data from organic certifiers, organic trade associations, community organizations and government resources, we were able to compile a listing of organic growers, ranchers and processors in grains, diary, meat, poultry, meat, eggs, fruits, vegetables and unspecified "other" products; and meat processing maps which include organic and non-organic information. Regional data includes Indiana, Wisconsin, Iowa, Kentucky and Michigan, all states that border Illinois. This makes the maps useful in analyzing regional assets and resources that could aid the organic food system here.

The maps were created by NAVTEQ, a world-leader in premium quality digital map technology and are hosted at the Geocities website. From the website, the maps can be sorted as farm type by product; processor type by product; state by farm; and state by processor. The maps feature state boundaries, major cities, highway systems, waterways and railroads, which are easily readable with zone in/out functions.

The data itself it presented as a series of symbols that via mouse-click reveal name, address, phone and type of products farmed and processed. While there are no actual capacities or production totals listed, the maps are still a valuable tool to determine types and concentrations

of assets available in the regional organic food system. Selected copies of the maps are located in section 6.6 and can be found online at:

www.geocities.com/casbah3d/sustain/sustain-maps.htm

A link to the maps will be placed on the FamilyFarmed.org website in February, 2006.

6.4 Potential Sources of Financing

A private-sector capital project, such as a warehousing facility or an organic meat processing plant, generally is financed with a mix of equity and debt. The analogy of buying a house is apt: the new owner makes a down payment (equity) and obtains a mortgage (debt) for the balance. In some cases, if the public interest will be served, a government cash grant may be added to the mix. Governments also support private-sector capital projects with loan guarantees, interest rate subsidies, and tax relief; assisting with the cost of studies and permitting; and by taking responsibility for upgrades of local infrastructure (roads, sewer, power, etc.).

Equity Financing

The percentage of equity versus debt required for a capital project will vary according to (1) the preferences and financial strength of the owners as well as (2) the requirements of lenders.

Owners' equity generally comes from the personal savings of an individual, the retained earnings of a company, or the issuance of shares in an existing company or a new venture.

Another potential source of equity is venture capital. Venture capitalists put money into companies or business ventures that are in need of project financing that cannot otherwise be obtained. As such, venture capital tends to be a comparatively more expensive source of equity (i.e., the venture capitalist demands a higher return than the other equity investors, reflective of a higher perceived risk). Venture capitalists also offer debt, which tends to be priced more expensively relative to other types of debt.

Some venture capitalists promote their interest in agribusiness, including Cybus Capital Markets, LLC, an investment-banking firm based in Des Moines, IA (www.cybus.com).

The Small Business Administration (SBA) of the U.S. government has established a source of subsidized venture capital financing with its Small
Business Investment Company (SBIC) program
(http://www.sba.gov/INV/overview.html).

The State of Illinois likewise has established a program, Value Added Stock Purchase, which effectively creates a source of venture capital. Under this program commercial banks lend to farmers, who wish to buy shares in companies that will process their commodities. The state furnishes an 85-percent guarantee of loan repayment.

Debt Financing

Commercial Bank Loans
The conventional type of project debt is a commercial bank loan, which is available on the basis of the borrower's credit quality and the lender's assessment of the risk of the venture. This lending is at market rates.

Among commercial lenders in Illinois are banks that advertise their interest and experience in agriculture and/or agribusiness (e.g., First Midwest Bank of Itasca, IL, www.firstmidwest.com).

Many commercial banks in Illinois also offer the government-guaranteed and/or subsidized loans described below.

Financing for Nonprofits

Nonprofits obtain their funding from a variety of sources: federal, state, and local governments; foundations; corporate and individual donations; and fundraising events. Some of these same sources may be available to support a nonprofit-led venture in organic-food handling, transportation, and/or distribution.

One potential source of project financing for Illinois nonprofits is the Illinois Facilities Fund (IFF). This organization, a nonprofit itself, makes below-market-rate loans and provides working capital and assistance with project planning and execution to nonprofits seeking to develop real estate (e.g., to build and equip a building). They also offer loans for the purchase of service-oriented vehicles. To qualify for IFF assistance, the applicant must be located in or serving low-income communities and "special needs" groups. The IFF Web site address is http://www.iff.org.

Leasing

Leasing of plant and/or equipment is a variant of debt financing that project developers may wish to investigate. It offers potential savings in start-up investment and income tax (i.e., substituting operating costs for capital costs).

U.S. Government Programs

The U.S. government sponsors a variety of agriculture-related financing programs, which are focused on commodity price support, farm purchase, and on-farm investment in equipment and facilities.

Among federal programs is one that relates closely to organic food marketing chains: the USDA's Farm Service Agency (FSA) administers the Farm Storage Facility Loan Program (FSFL), which provides low-cost loans to farmers to build or upgrade on-farm storage and handling facilities (www.fsa.usda.gov/pas/publications/facts/storage01.pdf). However, the facilities supported by these loans may not be used for commercial purposes (presumably meaning they cannot offer services to third parties for a fee).

The USDA also manages a Business and Industry Guaranteed Loan Program, which seeks to create rural employment and improve the economies of rural communities (http://www.rurdev.usda.gov//rbs/busp/b&i_gar.htm). These loans are available for the purchase of land and buildings, new construction, building renovation, and working capital. Under this program USDA provides loan guarantees to commercial lenders. The program is open to cooperatives and nonprofits as well as private-sector entities.

While not, strictly speaking, a project financing facility, the USDA's Value-Added Producer Grant Program is relevant to project development. Under this initiative the USDA offers grants to farmers, agricultural producer groups, cooperatives, and producer-based business ventures to develop feasibility, business, and marketing plans for value-added products. Grant funds also are available for working capital. Matching funds are required. The marketing of organic products is specifically included in the eligibility criteria. For details see http://www.rurdev.usda.gov/rbs/coops/vadg.htm.

USDA Rural Business Enterprise Grants flow through public agencies, nonprofits, and Indian groups to small businesses for infrastructure, technical assistance, and revolving credit. See http://www.rurdev.usda.gov/id/rbeg.htm.

For additional information regarding USDA's rural development programs, go to http://www.rurdev.usda.gov/id/rbs.htm.

The SBA offers a variety of financing programs not focused on particular industrial sectors, for example:

7(a) Loan Guaranty Program: This is SBA's primary loan program and can be used for business start-ups or expansions, the purchase of land and buildings, new construction, working capital, and inventory (http://www.sba.gov/financing/sbaloan/7a.html). These loans are arranged by commercial banks.

Certified Development Companies: The CDCs are nonprofit entities that channel funds to the private sector for the purchase or construction of major fixed assets (including land purchase) that contribute to the economic development of a community or region (http://www.sba.gov/financing/sbaloan/cdc504.html).

For all other SBA financing programs, go to http://www.sba.gov/financing/index.html.

State of Illinois Programs

As with the federal government, the State of Illinois manages a wide variety of agriculture-related financing programs; and, like the federal programs, most of the state's programs are focused on farm purchase and on-farm investment. Nevertheless, the following initiatives may have potential for the financing of projects related to the organic-food marketing chain:

Department of Agriculture's AgriFIRST program: The AgriFIRST grant program is quite relevant to project developers in organic-food marketing chains. Significantly, the focus of the program is value-added agriculture. The program funds up to 75 percent of the cost of studies and project-related consulting services for eligible projects; and, should a project go forward, up to 10 percent of capital cost (not to exceed $5 million). Eligible costs include land, new construction and renovation, equipment, and working capital. A program fact sheet can be viewed at http://www.agr.state.il.us/Grants/AgriFIRST/factsheet.html.

Illinois Finance Authority (IFA) Rural Development Loan Program: Under this subsidized-interest-rate re-lending program, businesses and community-development groups in eligible rural areas can purchase land to construct or renovate an industrial building and/or purchase machinery and equipment. For more information go to http://www.il-fa.com/products/sb_ruraldev.html.

IFA State Guarantee Program for Agri-Industries: [Subject confirmation….] This program guarantees loans by commercial banks to individuals or companies wishing to diversify into further processing of crops or livestock. Funds can be used for the purchase or property and/or equipment. See http://www.il-fa.com/products/programs.html#AI.

IFA Participation Loan Program: Under this program the state shares the risk on loans to eligible borrowers. Loan proceeds may be used to finance the purchase of land and buildings, for new construction or renovation, and for buying equipment. The states share of the lending is at a below-market rate of interest. The purpose of the program is to create new or retain existing jobs. This loan program is outlined at http://www.il-fa.com/products/ind_part.html.

IFA Not-for-Profit 501(c)(3) Bond Program: While clearly not intended for private-sector projects, in the event a nonprofit proposes to develop facilities in the organic food marketing chain, this could be a source of financing. The proceeds from tax-exempt bonds can be used to buy land, for new construction, building renovations, and for the purchase of capital equipment. See http://www.il-fa.com/products/nfp_501bond.html.

Department of Commerce and Economic Opportunity (DCEO) Illinois Capital Access Program (CAP): The program is a form of credit insurance for lenders. It enables banks to make loans to small or new businesses that do not otherwise qualify for financing. For details see http://www.illinoisbiz.biz/dceo/Search?q="capital%20access.

To learn about all DCEO financing programs, visit
http://www.illinoisbiz.biz/dceo/Bureaus/Business_Development/Loan+Programs.

State Treasurer's Agriculture and Alternative Agriculture Link Deposit Loan Program: It's not obvious that this program has application to organic-food marketing chains. Nevertheless, its description invites interest, due to its references to "alternative agriculture," "value added enterprises," and "organic production." In essence, the program intends to create venture capital in the form of debt – lenders depositing money under the program can lend at a spread above the program's deposit rate. Apparently, someone stayed up late one night to devise this scheme.

State Treasurer's Economic Program STEP: This is a job-creation program: for each job created the state treasurer will subsidize a sum of commercial bank lending.
To find details of the treasurer's programs, go to http://www.state.il.us/treas and click on the links to "Agriculture Programs" and "STEP Program," respectively.
A directory of all State of Illinois financing programs can be viewed at
http://www.illinoisbiz.biz/NR/rdonlyres/E877D564-EDFD-4EA4-9E8E-C0C9D6871168/0/IllinoisBusinessFinancingMatrix_32504.pdf.

Financing Support at the Local Level

Project financing support is available at the local level as well. The Web site of the Southeast Illinois town of Mount Carmel, for example, promotes its economic development by listing all available State of Illinois investment incentives – from the IDFA Pooled Bond Program to the Incubator Assistance Program – as well as its own low-interest loan program, which offers up to $10,000 for each full-time job created. For details visit www.mount-carmel.il.us/industry/index.htm .

Similarly, the City of Chicago's Web site lists tax and incentive programs, loans, and bonds available under its Development Finance Division, but frankly their presentation is less informative than that of little Mount Carmel. The Web address of the division is a bit long:
http://egov.cityofchicago.org/city/webportal/portalContentItemAction.do?BV_SessionID=@@@@1156945220.1136679791@@@@&BV_EngineID=ccceaddgikmkgjfcefecelldffhdfhg.0&contentOID=536896504&contenTypeName=COC_EDITORIAL&topChannelName=Dept&blockName=Planning+And+Development%2FDivisions%2FI+Want+To&context=dept&channelId=0&programId=0&entityName=Planning+And+Development&deptMainCategoryOID=-536884762 .

Comprehensive Guides for Financial Resources

Our research has revealed two excellent guides for financial resources for projects:

Value-Added Agricultural Resource Guide for Rural Development,
Institute for Rural Affairs, Western Illinois University, 2003. Available online at www.iira.org.

A Guide to Federal, State and Regional Loan and Grant Programs for Agribusiness, Illinois Environmental Protection Agency, 2004. Available online at www.epa.state.il.us/water/cafo/cafo-loan matrix.pdf

Appendix 1

Agricultural Mapping

An interesting feature of this study was the creation of maps plotting organic resources and infrastructure in Illinois and throughout the Midwest region. Using data from organic certifiers, organic trade associations, community organizations and government resources, we were able to compile a listing of organic growers, ranchers and processors in grains, diary, meat, poultry, meat, eggs, fruits, vegetables and unspecified "other" products; and meat processing maps which include organic and non-organic information. Regional data includes Indiana, Wisconsin, Iowa, Kentucky and Michigan, all states that border Illinois. This makes the maps useful in analyzing regional assets and resources that could aid the organic food system here.

The maps were created by NAVTEQ, a world-leader in premium quality digital map technology and are hosted at the Geocities website. From the website, the maps can be sorted as farm type by product; processor type by product; state by farm; and state by processor. The maps feature state boundaries, major cities, highway systems, waterways and railroads, which are easily readable with zone in/out functions.

The data itself it presented as a series of symbols that via mouse-click reveal name, address, phone and type of products farmed and processed. While there are no actual capacities or production totals listed, the maps are still a valuable tool to determine types and concentrations of assets available in the regional organic food system. Selected copies of the maps can be found online at:

www.geocities.com/casbah3d/sustain/sustain-maps.htm

A link to the maps will be placed on the FamilyFarmed.org website in February 2006.

Appendix 2

A summary of focus group and survey data appear in Appendix 2.

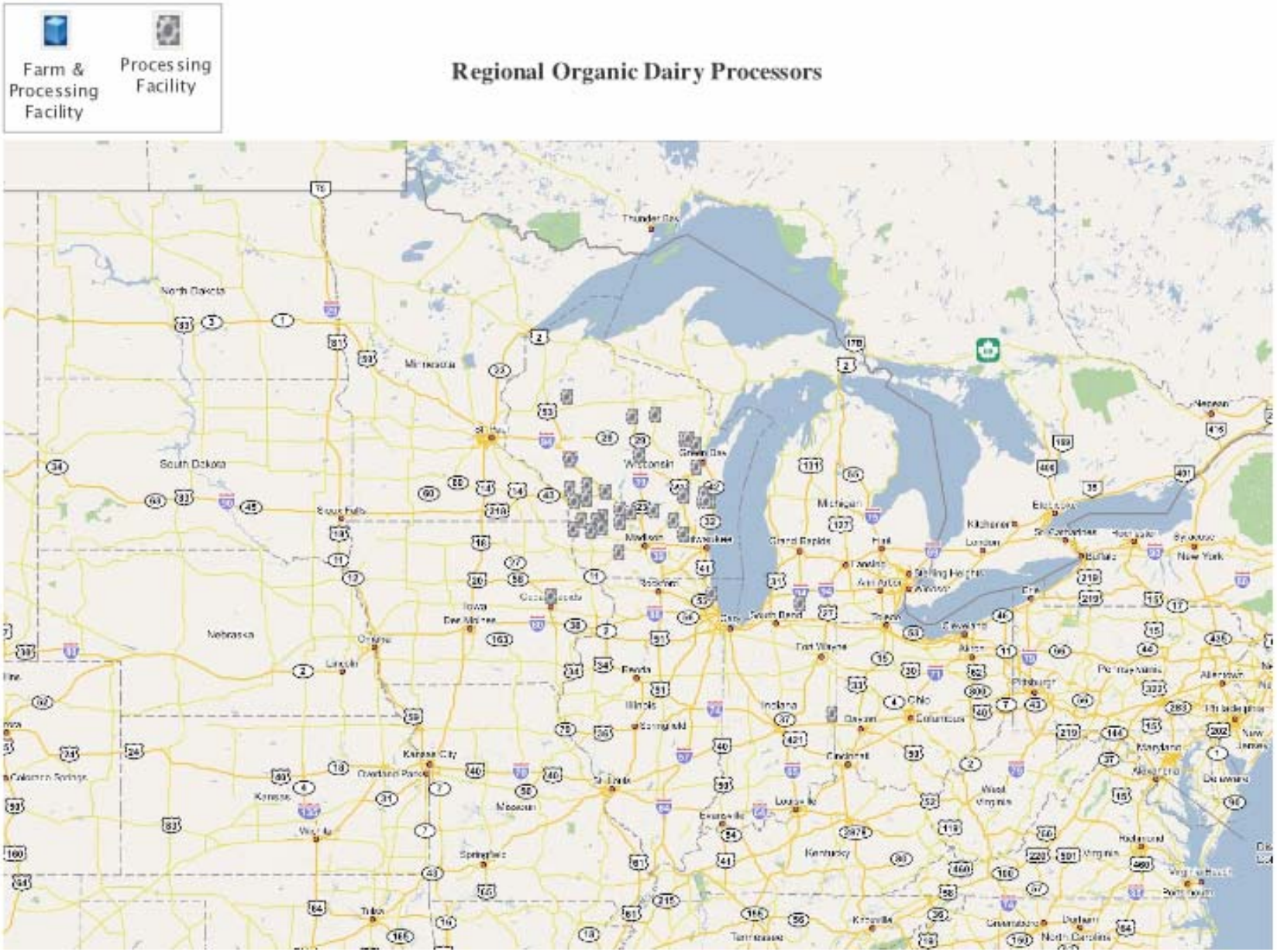
Organic Harvest:
An Action Plan for Building the Illinois Organic Food System

APPENDIX 1
Agricultural Mapping

Lead Project Funding by:

The AgriFIRST Program of the Illinois Department of Agriculture

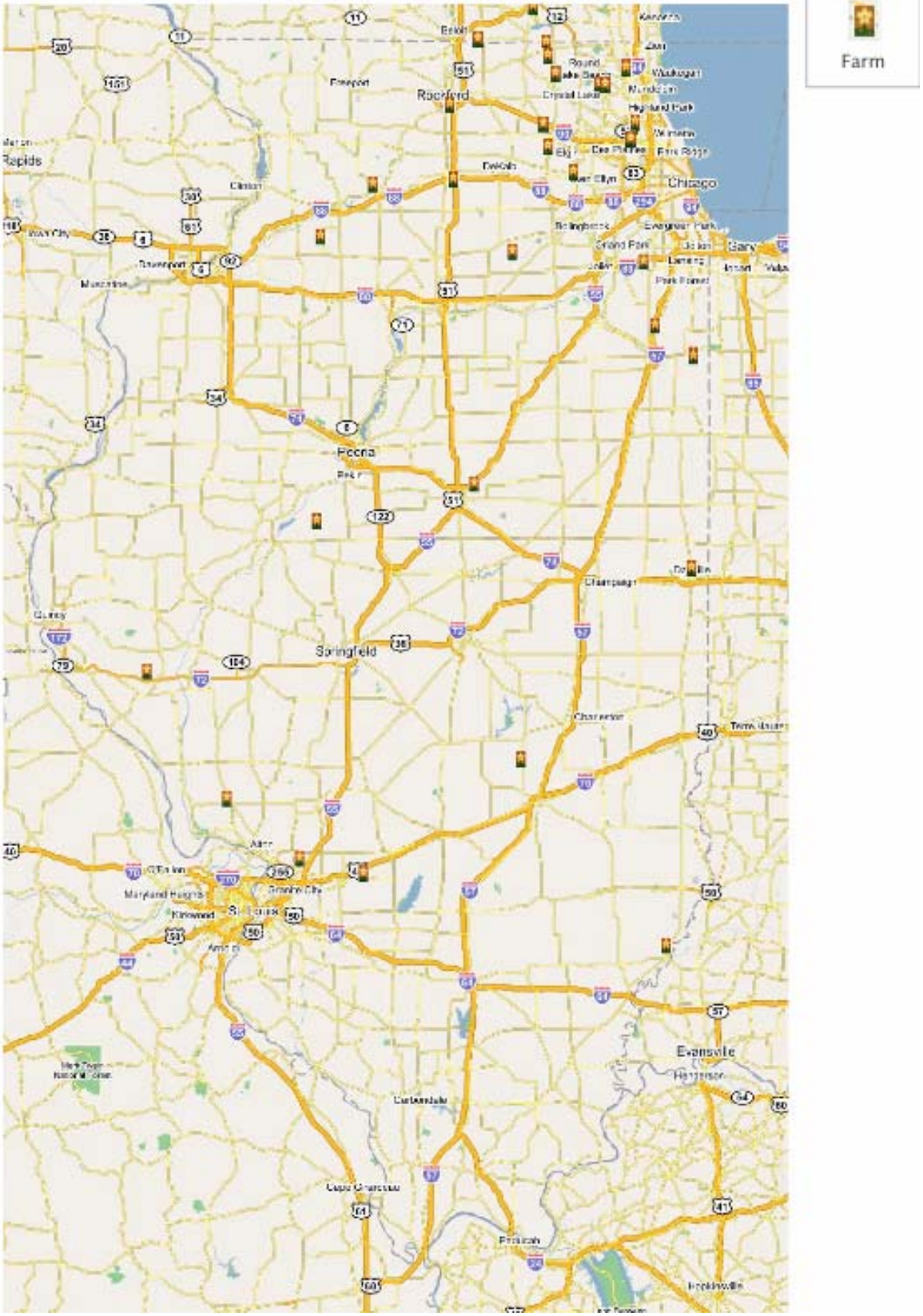
The Federal State and Marketing Improvements Program
of the United States Department of Agriculture


Farm & Processing Facility
Processing Facility
Regional Organic Dairy Processors
North Dakota
Minnesota
South Dakota
Nebraska
Iowa
Wisconsin
Michigan
Illinois
Indiana
Ohio
Kansas
Missouri
Kentucky
West Virginia
Virginia
New York

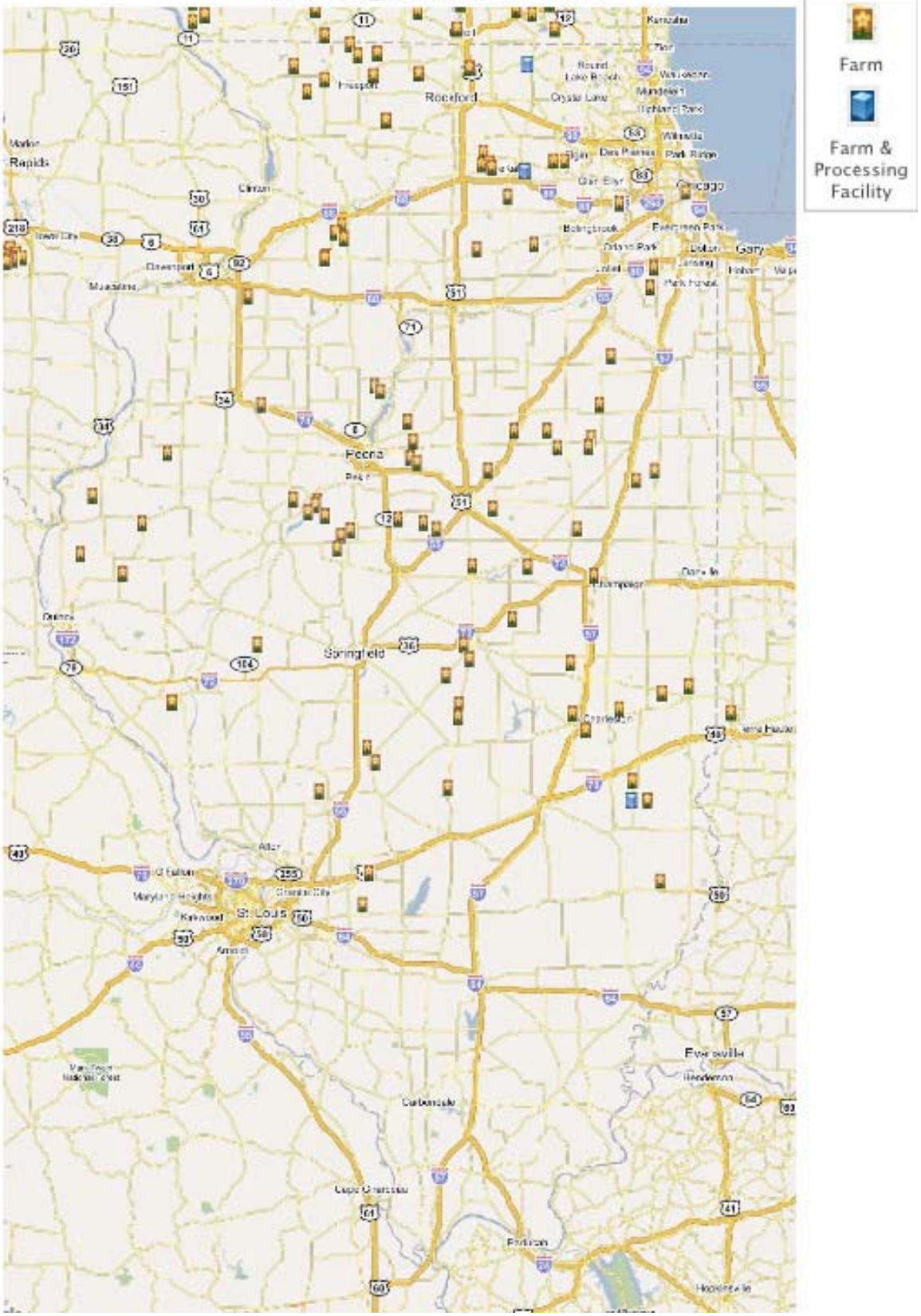
Regional Organic Fruit & Vegetable Processors

Regional Organic Grain Processors

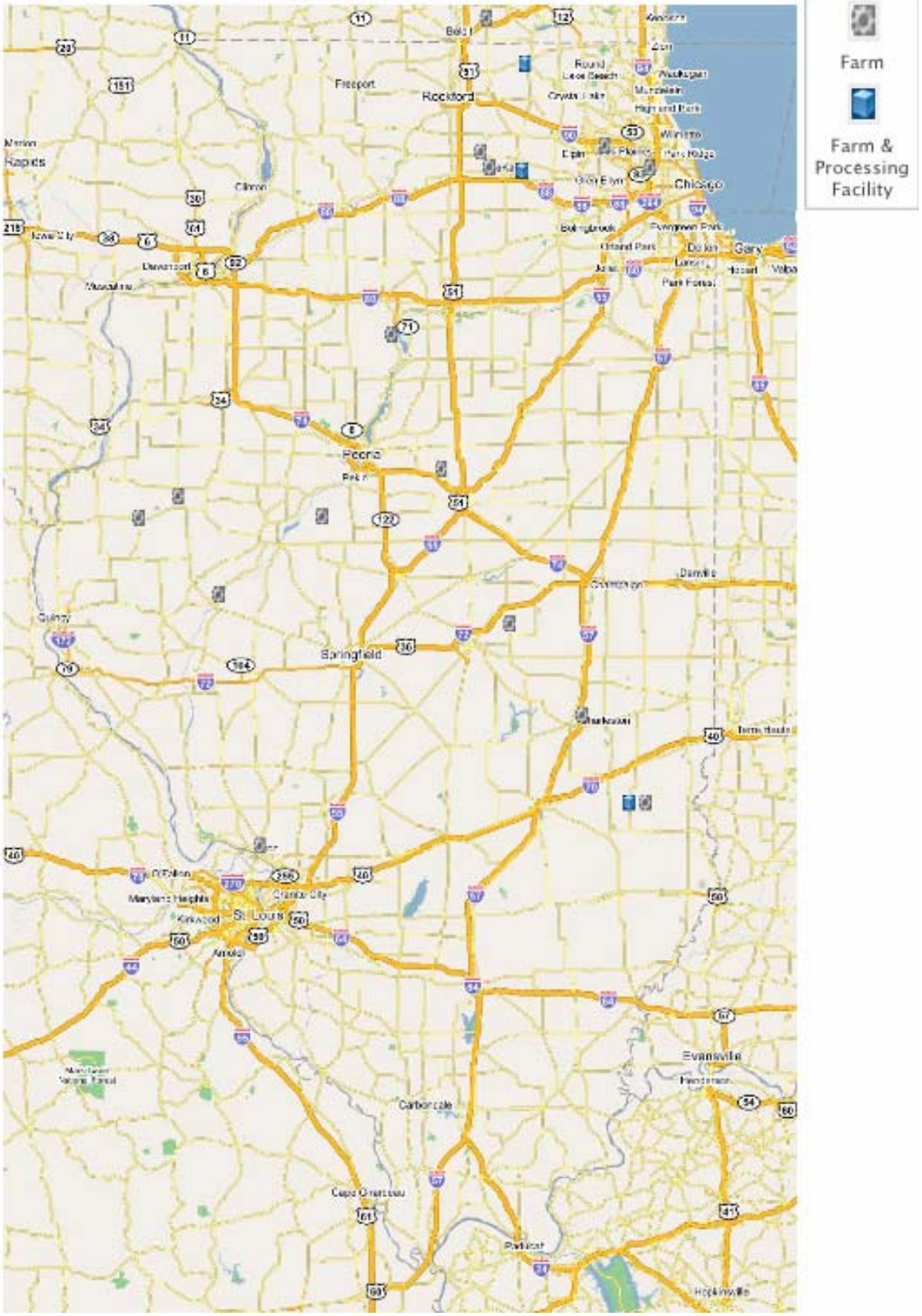
Illinois Organic Fruit & Vegetable Farmers



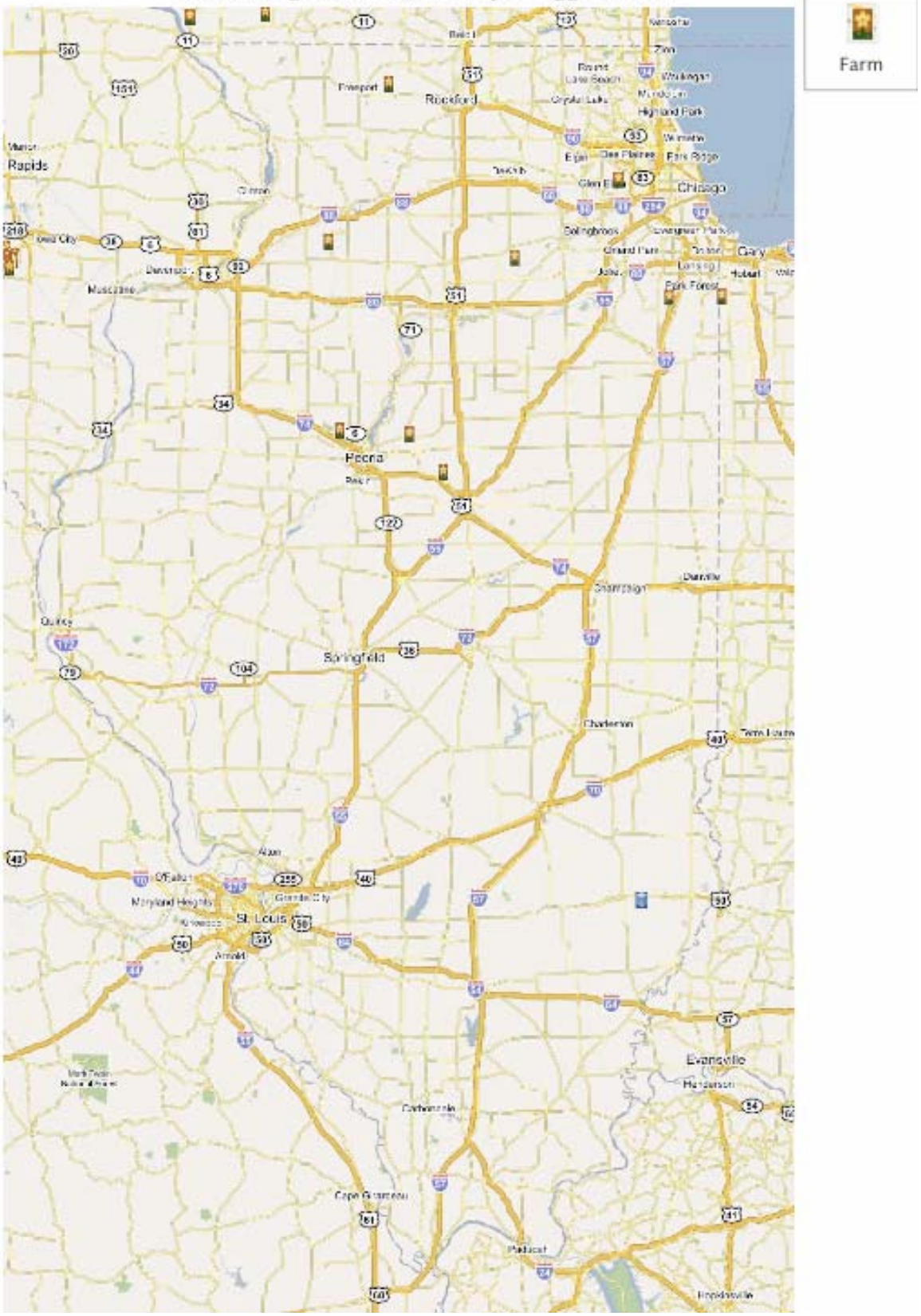
Illinois Organic Grain Farmers



Illinois Organic Grain Processors



Illinois Organic Meat, Poultry & Egg Farmers



Organic Harvest:
An Action Plan for Building the Illinois Organic Food System

APPENDIX 2

Summary of Data from Focus Groups and Surveys

Lead Project Funding by:

The AgriFIRST Program of the Illinois Department of Agriculture

The Federal State and Marketing Improvements Program
of the United States Department of Agriculture

SUSTAIN LOCAL ORGANIC INITIATIVE
FOCUS GROUP I

FOOD SECURITY SUMMIT
NOVEMBER 15, 2002

NOTES

PREPARED BY:
CHARLOTTE FLINN
JIM SLAMA

A. PARTICIPANTS

1. Participants for Focus Group I were selected from attendees at the Food Security Summit sponsored by the Chicago Community Trust.
2. Of the 17 participants, 2 represented academia, 2 represented institutional food service,
3. 4 represented non-profit community/government groups, 2 represented organic trade associations, and 7 represented organic and non-organic growers and producers.
4. Product categories represented by these growers included grains (corn, wheat), legumes (soybeans), produce, poultry, meat, dairy. Many represented diversified operations.
5. A small number of the group was certified organic (2); some were non-certified organic (3); the rest utilized traditional growing and production methods.
6. All were interested in a diversified mix of products and in the economic possibilities of a regional organic distribution system and sustainable agricultural methods.
7. The clear, most significant interests of the group were in the economic viability of independent farms in the Illinois, Southern Wisconsin, Southern Michigan, Northwestern Indiana area – and a regional distribution system that would provide access to the growing Chicago area market.

PARTICIPANT ROSTER

1. ALLEN, WILL
2. BAZIK, MARTHA
3. BRUSSELL, KEVIN
4. BURSAK, BARRY

5. BUTTERFIELD, CLARE
6. DANIEL, GLENDA
7. DAVIS, ROCHELLE
8. HALL, JOHN
9. KARMAZIN, BRUCE
10. KLEIMAN, STEVE
11. MENZEL, ERIC
12. RISSMAN, JOEL
13. SANDS, MIKE
14. SLAMA, JIM
15. THURMAN, JOHN
16. WRIGHT, CARLA

FLINN CHARLOTTE, FACILITATOR

B. OBJECTIVES OF THE FOCUS GROUP – DISCUSSION LEADER

1. To participate in the framing of the feasibility study questions. What should be the key areas of inquiry (questions) of the feasibility study of a regional distribution system that would serve this constituency successfully? What questions should we ask? What must we find out? What does this constituency (group) want to know?
2. To participate in Sustain's (LOI) feasibility study to assess the current market for locally grown organic food, the current and potential providers of organic foods for this market, and the infrastructure necessary to support an economically viable Illinois-based distribution system.

C. OBJECTIVES AND NEEDS EXPRESSED BY THE PARTICIPANTS

1. Need to relate the proposed distribution system to the needs of the independent farmer.
2. Need to relate the proposed distribution system to increased accessibility to the growing Chicago market.
3. Communications with the market will be key. How will we know what the market wants and is willing to pay for?

4. Need to find ways to keep this in scale; small enough to support farmers – not too big to attract agribusiness interest.
5. Need to figure out ownership and initial funding.
6. Need to work out structure.
7. Need to work on labeling and identity.
8. Price is key. How do we find the right price?

D. DISCUSSION

The following questions guided the discussion and elicited these responses and contributions:

1. What should be the geographic "regional" growing and distribution system boundaries?
    a. Area Food Shed: Illinois, Southern Michigan, Northwestern Indiana
    b. Distance: approximately 300 mile radius from the Chicago consumer market.

2. Who might be the constituents – or users – of the proposed regional distribution system?
    a. Direct consumers
    b. Restaurants/restaurant distributors
    c. Independent groceries
    d. Chain groceries
    e. Superstores
    f. Health food stores/chains
    g. Specialty food stores/high end
    h. Food service (institutional)
    i. Hotels
    j. Hospitals
    k. Nursing homes
    l. Schools
    m. Companies
    n. Buying clubs
    o. Pantries
    p. Government
    q. Wholesale distributors

r. Churches
s. Produce markets
t. Processors
u. Coops
v. Community kitchens
w. Exporters, inter-state distributors
x. Religious and ethnic groups

3. Who else might be involved (constituents)?
    a. Supply chain managers
    b. Vendors and suppliers
    c. Community groups
    d. Funding agencies (governmental and NGO's)
    e. Labor
    f. Processing operations
    g. Marketing organizations
    h. Researchers/academics
    i. Policy makers
    j. Transportation operations
    k. Air
    l. Train
    m. Trucking
    n. Mississippi River transport
    o. Waste Management
    p. Use of organic waste for composts
    q. Environmentalists
    r. Media
    s. Universities/extension consultants
    t. Agricultural experts

4. What distribution needs are not now being met? What are the key issues?
    a. Conventional system in place now; primary producer/user connection is the vital link to the market. How do we parallel that?

b. No similar system, on the same scale, exists for organic producers. How does this get started? By whom? Operated by whom?

c. Need to learn existing systems; e.g., CA. Risks and rewards.

d. Pricing needs. Can organic farmers afford price/cost related to a prospective regional distribution system? Farmers need prices they can live with.

e. How are we considering scale? Size + efficiency = price? Do we need to be 500 acre producers?

f. What are the opportunities for public funds?

g. What would the important scale of operation to attract funds?

h. Distance. How far will someone be willing to go to pick up produce? To deliver?

i. What kinds of safeguards can be built so that the system doesn't grow out of scale?

j. How do we key into existing operations?

k. How do we "control" pricing? Premium? Close to conventional products? How will we decide as a group? As a market? How could we control price volatility?

l. How will the farmer/producer be represented? By brokers? Others?

m. Can principles drive the system – as well as economic interests?

n. Values driven system

o. Food to low income population

p. Not exclusively "yuppie" market

q. How could we avoid a middleman? How could we get directly to the user? Chefs, schools, consumers

r. Communications between producers and market are key. How will producers learn about market demands? How many of what kind for planning?

s. Could the distribution system be non-profit? Or 50% non-profit and 50% for profit? E.g., farmers' coops. Could it be a hybrid?

t. How much control will farmers be willing to give up – to any structure? How will we work with producers? Value added areas? Efficiency alone won't do it!

u. What portion of expenses would farmers be willing to pay for such a regional distribution system?

5. How will we label or identify our products?

a. Organic USDA certified?

b. Ecolabel

c. Private labels

d. Other

e. Label could include other values such as:

i. Family farm

ii. Local – by state or area

iii. Small city farmer

iv. Other

6. What are the critical components of a distribution system that the feasibility study must include. The group considered these:

a. Farm to interim collection points

b. Collection points to central warehouse

c. Warehouse to markets

d. Markets to user/consumer

e. Transportation and handling/services at each of the above

f. Incremental costs and labor at each of the above

E. KEY AREAS OF INQUIRY FOR THE FEASIBILITY STUDY

Small groups worked together to propose areas of inquiry or questions for inclusion in the feasibility study. The following represents the groups' thinking:

Group I: FARMER TO WAREHOUSE

1. Where would there be a farm drop-site?
    a. Must it have a processing component?
    b. What scale must a local site need to be in order to be effective?
    c. Would we need quality control services?
2. Or:
    a. Should quality control be the farmer's responsibility?
    b. At what stage should the product be when it arrives? What services will be needed? Handling? Sorting? Sizing? Inspecting?
    c. What will be the "chain of control?"
    d. What products are accepted at a drop site?
    e. What is the current system? What is currently handled by the farmer? How could this be improved?

f. What are the economic data on any proposed distribution system options?

g. How will this impact profitability? Are we willing to give up profits? Could it be more profitable?

h. What safeguards are going to be used to ensure security of the producer? E.g. "San Joaquin Valley?"

i. Should the system function as a secondary market option?

j. How do we handle meat? Fish? Value added?

k. How do we handle waste management?

l. How would we decide on a location?

m. How far is the furthest point for a drop-off site and how far do you go now?

n. Who bears the risks of holding the products?

o. Where is the point of sale? At what point does the farmer get paid?

p. Would this regional distribution system encourage an increase in production?

q. Would farmers be willing to join a cooperative venture or other organizational/ownership structure?

Group 1 consisted of: Will Allen, John Hall, Bruce Karmazin, Eric Menzel, Joel Rissman, Mike Sands, John Thurman, Carla Wright

Group II: WAREHOUSE TO MARKET

1. Who are the decision makers? What are their values? E.g. buyers, brokers, etc.
2. Are they buying organic now? What is their experience?
3. What are their needs, expectations?
4. How will competitors respond?
5. What costs (additional, incremental) will be involved?
6. What are the handling and perishability issues? How will these be addressed?
7. What are the packaging, labeling, identifying, issues? How will these be addressed? What are the requirements?
8. How do we develop a "brand?" Is it local? Organic? Local organic?
9. How will goods get from warehouse to user?
10. What services are needed from the regional drop off point?
11. What services/infrastructure are needed at the central warehouse?

12. Who will be the partners or associates?
13. How will we integrate ownership and usage?
14. Can high end users subsidize low end users?
15. Who assumes the risk?

E. SUMMARY

1. The summary question to the group was: "Which of the issues related to this proposed regional distribution infrastructure, that we have been discussing, would be the highest priority need for you?"
2. Actual infrastructure – what components would be located and available where
3. Ownership
4. Pricing
5. Marketing services and support
6. Incentive for more growers and more production to meet the market demand
7. There was an intense discussion around the issues of planning correctly for the market demand and expectations. Conclusion and consensus of the group was that success of this whole operation will depend upon the farmer/producer segment to know, plan and produce on a seasonal basis what the market wants and is willing to pay for. The group strongly accepted the reliability of the data on the increase of the consumer market for organic products.
8. Additionally, there was strong consensus around the need for diversified production in order for small independent farmers to be economically viable.
9. Organic farming was the clear agricultural choice of the group. The issues and values around the certification process, as well as the transition process, were not as clearly articulated.
10. The threat of regional, national and international agribusinesses was expressed strongly and consensually by the group.

F. RECOMMENDATIONS

The group strongly recommended the development and implementation of the Feasibility Study and requested the data revealed by the study.

SUSTAIN LOCAL ORGANIC INITIATIVE
FOCUS GROUP II

ILLINOIS SPECIALITY FOOD GROWERS CONFERENCE
SPRINGFIELD, ILLINOIS
JANUARY 21, 2003

NOTES

PREPARED BY:
CHARLOTTE FLINN
JULI BRUSSELL

A. PARTICIPANTS

1. Participants for Focus Group II were selected to represent the interests and needs of growers and producers in Illinois as they related to the proposed regional organic food distribution system.

2. Of the 15 participants, 2 represented academia (University of Illinois), 2 represented government/trade associations, 11 represented organic and non-organic growers and producers. The economics of a transition to organics was an expressed interest by majority of the group.

3. Product categories represented by other groups included grains (corn, wheat) legumes (soybeans), produce, poultry, meat.

4. A small number of the group was certified organic 3 (1/5); the rest utilized traditional growing and production methods. All were interested in a mix of organic and on the economic possibilities of a regional organic distribution system and sustainable agricultural methods.

5. The overriding interests of the group were centered on the economic survival of independent family farms in Illinois.

PARTICIPANT ROSTER

NAME	ADDRESS / EMAIL	ORGANIZATION	AFFILIATION
David Applegate	163E 400N Rd. McLean, IL Thefarmer21@hotmail.com		
Juli Brussell	572 County Rd. 2100E Casey, IL 62420 rainycrkjb@rr1.net		IL Stewardship Alliance Farmer/Univ. of IL The Farm Gate
Kevin Brussell	572 County Rd. 2100 E Casey, IL 62420 rainycrkkb@rr1.net	Midwest Organic Farmers Coop	Marketing Director
Dianne Crowne	Gust of Jon H 1529 S. Noble Springfield, IL 62704	OCIA	
Jack Erisman	781 US Hwy 51 Pana, IL 62551-6451	ISAS-CFAR	
Kelly Heyen	kmheyen@frontiernet.net		Grower
Floyd Johnson	fjohnson@mcleodusa.net	Shoal Creek Farm	
Jon R. Klingenberg	Manning Farm, Inc. 13138 Witt Ave. Butler, IL 62015	OCIA	Farmer/Raw Processor
Andy Larson	260 ERML 1201 W. Gregory Dr. Urbana, IL 61801 allarso1@uiuc.edu	University of Illinois	
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John Masunas	260 ERML 1201 W. Gregory Dr. Urbana, IL 61801 masunas@uiuc.edu	University of Illinois	
Kent McFarland	P.O. Box 19281 Springfield, IL 62794 kmcfarland@arg.stat.il.us	IL. Dept. of Agriculture	
Stan Schutte	R#1 Box 122A Stewardson, IL 62463 triplsfarm@rr1.net	Triple S Farms	Owner OCIA
Pat & John Sondgeroth	Jpeheartlandmeats.com	Heartland Meats, Inc.	

B. OBJECTIVES OF THE FOCUS GROUP – DISCUSSION LEADER

Set objectives for this session were:

1. To participate in Sustain's (LOI) feasibility study to assess the current market for locally grown organic food, the current and potential providers of organic foods for this market, and the infrastructure necessary to support an economically viable Illinois-based distribution system.
2. To represent the needs and interests of this constituency (organic growers and producers).
3. To participate in the framing of the feasibility study questions.
4. What should be the key areas of inquiry (questions) of the feasibility study of a regional distribution system that would serve this constituency successfully? What questions should we ask? What must we find out? What does this constituency (group) want to know?

C. OBJECTIVES AND NEEDS EXPRESSED BY THE PARTICIPANTS

Expressed objectives, needs and interests of the participants were:

1. Need to explore infrastructure for small farmers.
2. Need to find ways to deal with government regulations and requirements.
3. Need help to market directly to Chicago.
4. Want to get a co-op going; need to protect farmers' rights and control of the process.
5. Want the university to be a continuing resource to organic farmers (U of I).
6. Want to explore interest in organics; see possibilities.
7. Want to know more about getting into organics; interested in the potential market.
8. Need to minimize impact of capital in agribusiness; need to find ways to promote and maintain individual independent ownership.
9. Interest to represent organic and non-organic growers to a regulatory, political audience; want to assist growers to "get into the program."(IL. Specialty Growers Association)
10. Interest to be a resource; maintain database of all food producers.(IL. Dept of Agri-Marketing)
11. Need to find a voice for the "little guy."
12. Need to get distribution system up.
13. Need to keep family farmer going; interest make it easier to market Illinois products in Illinois.
14. Need to change perception that dairy and other farm products are better "made in Wisconsin;" need to educate the market to value "grown in Illinois."

15. Need to create a promotional campaign around Illinois producers – same impact as "Got Milk."
16. Need to explore market perception that it's more important to buy local than buy organic – and its impact on us and the local organic initiative.
17. Need to find ways to get meats on the coupon program.
18. Need to understand what exists – and what we can utilize – before we try to re-invent the wheel.
19. Need to understand economic possibilities for a regional distribution system; need to discuss ownership and ownership models.

D. DISCUSSION

The following questions guided the discussion and elicited these responses:

1. Who might be the constituents – or potential users – of the proposed regional distribution system?
    a. growers/producers
        i. Including produce, poultry, meats, dairy
    b. wholesalers, supermarkets
    c. Institutions, hospitals, etc.
    d. food preparers of all kinds
    e. restaurant chefs
    f. processors (will need to protect prospects for farmers)
    g. food buying clubs and co-ops

The group identified the key constituents proposed in the study. The recognition that processors need to be included – and the benefits of value added products – was generally shared.

2. What distribution system needs are not now being met?
    a. food prepped for convenience by larger systems; smaller operations can't do this
    b. accessible and affordable warehousing
    c. current systems geared toward large commodity-type products
    d. needs of smaller businesses not met at all

e. inconsistent relationships with processors – and encouragement of idea of processing as "value added" to current growers

f. smaller businesses must look to direct marketing (e.g., farmer's markets); products not as permanent

g. easy transport of products to market

h. access to key markets

i. marketing and promotion

j. technology

k. alternative methods for getting product visibility with large dollars

l. market/production, protection and assistance to comply with packaging and processing regulation; i.e., "how to play the game."

The group expressed strong consensus that current systems favored larger businesses and, for the most part, were not available for smaller scale growers.

3. What are the initial components of a regional distribution system?

    a. research data relating to market predictability – what products to sell to what markets, where and when

    b. communications link between buyers and growers

    c. multiple market outlets (critical protection for farmers)

    d. clear standards and specifications for products

    e. coordinators – working with producers and growers

    f. transportation to processing and to markets

    g. physical infrastructure (collection points and warehouses)

    h. smaller scale processing (infrastructure available to all growers)

    i. political presence that promotes independent family farmers' ownership, existence, and right to market

    j. promotion and branding to capitalize on the competitive advantage of "locally grown"

    k. The group identified the critical components that matched those proposed in the study. The idea of shared standards and specifications for product was a strong consensus.

    l. What are your specific interests and needs, as growers and producers, in this local organic distribution system? What do you see as advantages?

    m. to have a unified voice to policymakers, market forces, to protect our interests

n. to protect our interest and livelihoods as small independent farmers from larger agribusinesses

o. to assure a quality product; to set standards of quality and enforce them

p. to be informed about legal responsibilities – and the resources to deal with them

q. to build a continuous supply system

r. to create a powerful "brand" around locally grown and increase consumer awareness and value

s. to measure market demand and plan supply

t. to understand the economics of transition to organic

u. to maintain reasonable pricing for "premium" products; to maintain "premium" quality

v. to have available local processing for value added products

w. to have accessible, easy transport

x. to have local collection points and regional warehousing

y. to improve market communications and other supply chain technologies

z. benefit of a network structure rather than a formal structure

There was no consensus on priority of these needs and interests. There was a consensus on the importance of maintaining a "premium" product that could command premium pricing in the market. However, there was a strong consensus on the need to protect small farmers from the reach of large agribusinesses.

4. What do you see as the primary obstacles and threats to such a distribution system?

a. experience negative impact of an economic downturn

b. lack of access to processing

c. need to increase consumer education to value of organic and locally grown products

d. lack of access to and cost of transport system

e. loss of focus on values/family farm emphasis

f. need to maintain differentiation and product premium

g. need to identify products in a way that cannot be copied or co-opted

h. need to avoid commodities or "commoditization" of products to the market

i. need to develop relationships with customers/consumers that is politically strong enough to protect from corporate thugs

j. prospect of corporate takeover when "above the radar," i.e., corporate "strong-arms" either put you out or buy you out

k. prospect of cost of liability insurance

l. laws and regulations not understood or supportive

m. lack of equal access to consultants and legal resources

n. prospect of lots of talk – no results

o. consumer interest and demand is a moving target

p. lack of money for research (that benefits smaller farmers/processors)

q. need to overcome consumer perception of organic as poor quality

The Focus Group concluded that the prospective advantages and rewards identified by this group outweighed the concerns and obstacles and expressed strong support of the development of the plan for a regional distribution system. However, there was a strong consensus around the threat of corporate "stamp out" or "buy out" of a prospective successful distribution enterprise.

5. What are the key issues or obstacles to developing this regional distribution system?
    a. getting agreement/cooperation among very independent farmers
    b. setting standards for regional group
    c. threatening our competition; getting "on the radar"
    d. actually building the infrastructure – collection points, warehouses, etc.
    e. convincing farmers to change their ways – doing things differently
    f. acquiring the transportation – bucking the agribusinesses – or starting from scratch
    g. prohibitive costs – in the face of little investment dollars available in this group
    h. fear of getting onto the "radar" of agribusinesses who will either stamp us out – or buy us out – if we get successful
    i. overall economics – not enough prospective return or what looks like a huge financial requirement
    j. leadership – Who will do this? We're all busy farming!

The group agreed strongly that getting farmers to change the way they do things was the primary obstacle at this time. However, a strong consensus supported the concern that a regional system's success might attract the attention of the local agribusinesses and threaten the success of the independent farmers.

Additionally, the group expressed prior concern about the economic requirements and returns of such a system.

E. SUMMARY

Although there were ongoing spirited and often challenging interactions, the consensus of the group was strong support for the proposed feasibility study, to learn more about the existing models and the economic viability of a proposed alternative, and to support the next phase implementation beyond “just talk.”

SUSTAIN LOCAL ORGANIC INITIATIVE
FOCUS GROUP III

UPPER MIDWEST ORGANIC
FARMING CONFERENCE
LACROSSE, WISCONSIN
MARCH 1, 2003

NOTES

PREPARED BY:
JULI BRUSSELL
BARRY BURSAK
CHARLOTTE FLINN
JIM SLAMA

A. PARTICIPANTS

1. Participants for Focus Group III were selected to represent the interests and needs of organic growers and producers in the Midwest as they related to the proposed regional organic food distribution system.
2. Of the 10 participants, 1 represented academia, 3 represented government/trade associations, 6 represented organic growers and producers. The group expressed an interest in the issue of certification.
3. Product categories represented by these groups included grains (corn, wheat) legumes (soybeans), produce, poultry, meat, dairy.
4. All growers who participated were interested in a diversified mix of organics and in the economic possibilities of a regional organic distribution system and sustainable agricultural methods.
5. The overriding interests of the group were centered on the economic survival of independent family farms in the Midwest and increase access to the Chicago area markets.

PARTICIPANT ROSTER

NAME	ORGANIZATION	AFFILIATION
Erica Allen	Growing Power	Farmer
Will Allen	Growing Power	Farmer
Cissy Bowman	Indiana Certified Organic	Certifier
Juli Brussel	Rainy Creek Farm	Farmer
Kevin Brussel	Midwest Organic Farmers Cooperative	Trade
Rink DaVee	Homegrown Wisconsin	Farmer
Kevin Lucy	Valley Farm	Farmer
Rich Pirog	Leopold Center for Sustainable Agriculture	Academic
George Siemen	Organic Valley	Farmer/Manufacturer
Carla Wright	Wisconsin Department of Natural Resources	Government

B. OBJECTIVES OF THE FOCUS GROUP – DISCUSSION LEADER

Set objectives for this session were:

1. To participate in Sustain's (LOI) feasibility study to assess the current market for locally grown organic food, the current and potential providers of organic foods for this market, and the infrastructure necessary to support an economically viable Illinois-based distribution system.
2. To represent the needs and interests of this constituency (organic growers and producers in the Midwest).
3. To participate in the framing of the feasibility study questions.
4. What should be the key areas of inquiry (questions) of the feasibility study of a regional distribution system that would serve this constituency successfully? What

questions should we ask? What must we find out? What does this constituency (group) want to know?

C. OBJECTIVES AND NEEDS EXPRESSED BY THE PARTICIPANTS

Expressed objectives, needs and interests of the participants were:

1. Need help to market directly to Chicago and Chicago metro markets.
2. Need to explore infrastructure for small farmers
3. Need to find ways to promote and maintain individual independent ownership.
4. Need to get an accessible distribution system up and serving Midwest markets and growers.
5. Need to keep family farmers going; make it easier to market local organic products in the Midwest.
6. Need to build on and widen perception that dairy products are better "made in Wisconsin;" need to build on this brand for other products.
7. Need to explore market perception of value of "local" products.
8. Need to understand what distribution systems work – and what we can utilize – before we try to re-invent the wheel.
9. Need to understand economic advantages of a regional distribution system; need to discuss ownership and ownership models.
10. Need to clarify consumer perception of what's local and what's organic.

D. DISCUSSION

The following questions guided the discussion and elicited these responses:

1. What distribution needs are not now being met? What alternatives are being sought?
   a. Pooling (co-operation) to fit needs of growers (small farmers) and needs of buyers.
   b. Quality assurance and q a controls.
   c. Production co-ordination; what is everyone growing?
   d. Co-op purchasing of supplies and in-puts.
   e. Pooling at no more that 45-60 minutes drive time. Farm pick-up is best.
   f. Retail farmer / product identity.
   g. Pricing co-ordination.
   h. Warehousing, cooling, trucking, etc. needed.

j. Farmers not knowing how to communicate about distribution.

k. Are there enough farmers to supply a Chicago area distribution center?

i. (volume of production)

j. Way to estimate consumer demand and translate into farm production in acres.

k. More small farm friendly distribution infrastructure. (Communication to move product from farm to point of sale: central organic logistics.)

2. Alternatives being sought:

a. work with university resources (college of business)

b. work with state and production operations / transport logistics agencies (DCCA, translog)

The group expressed strong consensus that the needs for farmer cooperation and planning on how to estimate market demand and translate that into planned farm production was key. Second strong consensus was the need for a centralized distribution system moving product from the farm to point of sale. This group strongly favored a farm pick-up process.

3. What are the obstacles?

a. Trust and reliability of distribution in Chicago.

b. Small farmers not connected with systems of commercial distribution.

c. Inaccurate consumer perception “local” vs. “organic.”

d. Lack of good information at point of sale.

e. Consistency of quality & timeliness in delivery.

f. Government agencies & institutions regulations/policies/lack of research

g. Consumer food safety concerns about production practices

h. Need for good PR.

i. Need for consistent standards & grading (farmer education.)

j. Need for volume pooling & infrastructure

k. State policies for institutional purchasing. Change purchasing preferences and state bidding.

l. “Centralized” food distribution. Expanding mass volume only.

m. Chef education regarding realities of food production & farming on “human scale.” Creative challenges & commitment to working with what is available.

n. Issue of “copy cats” or “knock-off” production/market strategies (“prairie grove corn”). Contract confinement with “greenwash”.

o. Land costs near urban areas w/o incentives for smaller organic operations (i.e. innovative property tax structures). Uncertainty of land future development.

The group identified the key obstacles experienced as inaccessibility of current commercial distribution systems to small local farmers, lack of farmer communications and consistency, and consumer confusion around “local” and “organic” products and their market value.

4. What do you consider the critical components of a regional distribution system?

a. Understanding needs of buyers and sellers / buyers understanding needs of growers

b. Keeping costs of distribution low

c. Distributor costs base on ACTUAL cost not flat mark-up

d. Understanding value of buying local/marketing and education.

e. Reaching economy of scale: farmer development.

f. Local transport at reasonable cost.

g. Centralized logistics: Infrastructure, Cooling ,Warehousing, Etc.

h. Co-operatively run & financed distribution system.

i. Marketing support and education.

j. Supply chain management.

k. “LETS” system for internal system & community.

The critical components identified by this group generally matched those proposed in the study. The need for centralized logistics (infrastructure, cooling, warehousing) was key - and the interest in a cooperatively run and financed distribution system were important to this group.

5. How would additional accessible distribution infrastructure be of direct benefit to you?

a. Availability of organic products in my area.

b. Promotes diverse culture of farms/community.

c. Connects consumers and farmers.

d. Connects groups with similar interests & needs.

e. "Time saver" for farmers & future farmers.

f. Reduce costs, external & internal, for farmers and all consumers.

g. Ability to "co-locate" farmers markets with retail outlets. Good for businesses, good for public relations.

The issue of connecting framers and consumers, and building this market with the assistance of marketing expertise and tools, was particularly important to this group.

The reduction of time and costs, and the prospective economic advantages to farmers of this prospective system, was most appealing.

6. If we were to consider an interim collection point, what would be important? What services would be sought?

a. Road access (near interstate).

b. Volume being moved.

c. Close to farmers.

d. Dock easy to use, both in and out.

e. Cooling: variety of temperatures for produce, meat, etc.

f. Spot "office" for information & resources at drop-off point.

g. Segregation zones for organic/non-organic of products, audit logs & affidavits.

h. Meet organic requirements.

7. If we were to consider a warehouse facility, what must we know? What services must be provided?

a. Provide refrigeration.

b. Meet square footage for present and future needs.

c. Meet organic standards.

d. Provide separate but adjoining facilities for produce & meat.

e. Provide simple but effective audit trails & records, tied into ordering system (supply chain management).

f. Provide payment system/invoicing & ordering in timely fashion.

g. Provide system for communication back to farmer.

h. Agree on system of ownership. Optimize processing? Legal ownership? Who is responsible for costs and loss of product?

i. Compliance with all regulations.

j. Understanding unions.

k. Organic certification of warehouse if necessary.

l. Issues of sustainability as part of a "big" picture.

m. Off-loading capacities, facility and staff for all sizes. In-flow and out-flow docks.

n. Efficiency of location.

o. Long term storage.

p. Consumer education/participation.

q. Farmers interacting with buyers.

r. Farmer control of price.

Strong consensus of this group was around the issues of location, proximity and capacity. Issues of ownership and responsibility were also important.

8. Are there additional needs in marketing post-harvest handling, transportation that are not met currently? What additional services and/or facilities would be helpful?

a. Co-location feasibility.

b. Boxing plants.

c. Twist-tie plant, etc.

d. Think green & energy use.

e. Pooling for input supplies, etc. (boxes)

f. Marketing.

g. Arrange forward contracts & supply management.

h. Group access to post-harvest handling equipment: i.e. onion bagging.

i. Staff assistance for consistent packaging.

j. Local volunteer or barter arrangements for post-harvest handling and collection/distribution.

k. Demo's in stores.

l. Community centers at pick-up points/warehouse.

m. Labor, all areas.

n. Consumer education.

o. Farmer development and training including food safety and post-harvest handling.

p. Policy development.

Strong consensus around needs for farmer development and training (food safety, post-harvest handling, etc.) and group access to equipment and infrastructure processes.

8. For non-growers in the group, what other resources are available to the system and/or the study?

a. Data/research on value of socio-economic and environmental parameters of local & regional food systems. (Book on co-operative supply management) b. Contact for assistance & collaboration. Larry (RC & D)

c. Focus on vision of local/regional.

d. Create/build-in a firewall that will prevent the whole thing from being co-opted & taken over.

E. SUMMARY

The group was asked, "Which of the components of this regional distribution infrastructure, that we have been discussing, would be the highest priority need for you?"

The group listed their top three priority needs of the proposed regional distribution infrastructure as follows:

TOP 3 PRIORITIES

1. Ownership structure that retains/maintains a high rate of return back to the farmer (may require outside funding initially.)

2. Grow more organic farmers. Incentives & assistance for increase of products (youth & adult) Need products.

3. Land "incentives."

Although there were many issues and concerns around individual components of the proposed distribution system, the consensus of the group gave strong support to the proposed feasibility study, to learn more about existing models and not "reinvent the wheel," and to move forward with a proposed "next phase" local distribution system which would, for this group, provide substantially greater advantages than disadvantages.

F. RECOMMENDATIONS

STEP-WISE IMPEMENTATIONS

1. Internal (Chicago) transport system for delivery to end users.
2. External (transport) to Chicago & collection points w/infrastructure.
3. Build/Create/Maintain creative partnerships and leverage existing infrastructure whenever possible

Although there were ongoing spirited and often challenging interactions, the consensus of the group was strong support for the proposed feasibility study, to learn more about the existing models and the economic viability of a proposed alternative, and to support the next phase implementation beyond "just talk."

SUSTAIN LOCAL ORGANIC INITIATIVE
FOCUS GROUP IV

ILLINOIS SPECIALITY GROWERS' CONFERENCE
SPRINGFIELD, ILLINOIS
JANUARY 23, 2004

NOTES

PREPARED BY:
CHARLOTTE FLINN
MICHAEL HOLDREGE

A. AGENDA

OPENING WORDS	JIM SLAMA
INTRODUCTIONS/ OVERVIEW/GOALS	MICHAEL HOLDREGE

- PARTICIPANT INTRODUCTIONS; THE CONSTITUENCY AND ITS INTERESTS
- FOCUS GROUPS- AND HOW THIS WORKS
- GOALS FOR THIS SESSION

WARM-UP QUESTIONS	MICHAEL HOLDREGE
DISCUSSION	GROUP

- FORMAT
- SENSE OF THE GROUP

SUMMARY QUESTIONS/RESPONSES	GROUP

WRAP-UP/NEXT STEPS MICHAEL HOLDREGE

CLOSING WORDS JIM SLAMA

PARTICIPANT ROSTER

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B. OBJECTIVES OF THE FOCUS GROUP

The objectives for this session are:

To participate in Sustain's (LOI) feasibility study to assess infrastructure in place and available to support an Illinois- based distribution system for locally grown and produced organic food; to determine components needed to support prospective growth and increased utilization of the system.

To represent the needs and interests of this constituency (growers and providers).

C. DISCUSSION

The following questions will guide our discussion:

1. How satisfied are you, generally, with the existing distribution infrastructure in getting your products from the farm to your markets?

   a. Very Satisfied Why?

   b. Satisfied Why?

   c. Not Satisfied Why?

- The current system leaves much room for improvement
- People are left on there own, they have to make things—somehow, someway—with little or no infrastructure available
- There is no system for organic producers to plug into such as conventional growers have
- It would be good to look for existing components, which might exist currently—if there are any?
- Whatever trucking one can get is very expensive
- There is a general lack of trucks available for organic
- The is a lack of processing facilities for organic
- In many cases the only option available is to market direct to the consumer via farmers markets

2. Which components, specifically, of the distribution infrastructure are available to you currently?
   a. Harvesting
   - This area is very challenging
   - Labor presents a considerable problem at several levels
     - There is a lack of labor available
     - Labor laws are very complicated (when it comes to hiring seasonal help)
     - Paperwork is complicated

   b. Post-harvesting (sorting, cleaning, grading, packing)
   - This is the most important element to the buyer because it directly effects quality and shelf life
   - Help is needed with cooling down the core temperature of produce
     - Solar powered ice-machines could be developed

- Water chill methods might be viable, but water quality is sometimes an issue, which might require the filtering of whatever water is available

c. Cooling/refrigerating

- Help is needed here
- The way to help people learn these things would be through training/demo facilities here hands on teaching and practice takes place. This rather than through books would be the effective approach.

d. Transporting

- Refrigerated trucks exist, but they do not want to deal with organic.
- Organic volume is too low for it to be financially interesting to transporters
- Quick access leasing of trucks that are used only for organic (hence no contamination and no cleaning requirements) would be great! (Something like the "I Go" car rental system.)

e. Central distributing

- Gathering points are missing
- There are no outlying warehouses
- Due to lack of availability, as things now stand restaurants or farmers markets are the only viable options for most organic growers

f. Marketing/access to markets

- Currently no assistance is available

3. Which of these components are you using?

Now

Harvesting

- Grain – Clarkson

--MOFC

Processing

- A list of processors is available. A directory put out by the Bureau of Meat and Poultry Licensing

- Central Illinois Poultry Processing is used by organic farmers but it is not certified
- Joder in Arthur ?

Transporting, Central Distributing, Access to markets

- Goodness Greeness is the only thing available

Other

- From farm to store, or farmers market seem to be the only current options

4. Which of the above <u>are available</u> and you are not using?
    - Nothing is available that's not being used, but it would be good to check out Frey and see if there are processors

5. Why not? What are the issues, problems, constraints?
    a. Harvesting
    b. post-harvesting
        - sorting, cleaning, grading, packing
        - Cooling/refrigerating
        - Transporting
        - central distributing
        - marketing/access to markets
        - nothing, because there is nothing

6. What training or assistance would be useful?
    - Post harvest handling
    - Uniformity of packaging for more efficient packing of vehicles
    - Seasonal extension
    - Info about which crops are best grown in certain locations (under certain conditions) and at which times of the year—a timing schedule would be a big help. [It was suggested that Bill Shoemaker, Elisabeth Wahley and Bill Whiteside are individuals who could provide such information—i.e. something could be done here]
    - Focus should be on high value product

- There are many detail questions that would be worth vetting in this regard, but for which the focus group did not have time

7. What are the financing, investment, cost issues?
    - Operating expenses are the critical issue. For this financing is not available on anything other than corn, soy and wheat i.e., only for commodities.
    - No money is available for capital needs either [perhaps once in a great while if one has a great business plan it is possible to get a conventional loan]
    - The case needs to be made for how the purchase of local product keeps money in the community (county) and has therefore a significant economic impact--as was show by the PFI's "Buy Local, Buy Fresh" campaign (See Kamyar data)
    - Such arguments could provide the basis for state loan guarantees.
    - If the IL Organic Association could become a chapter of the IL Specialty Growers (Juli Brussel is working on this) it would provide opportunities where the state might invest.
    - Consumers could also join as associate members
    - In the end, however, funds we need to be available to help develop the larger macro infrastructure if things we are moving toward are going to actually succeed
8. What are the time and distance issues?

- The key time saver would be cutting distances by means of drop-off points. (Pick-up would also work, but doesn't seem realistic as things now stand)
- A great deal depends on grower concentration [proximity to one another]

9. Other issues?
    - There is a big potential in mechanical harvesting if sharing were possible. This might be feasible if associations were formed. These would facilitate communication and planning.
    - We discussed possible drop off points

      -- caves in southern IL

      -- abandoned grocery stores

      -- other kinds of closed facilities such as warehouses [with refrigeration still intact] [see Joliet, for example]
    - Wholesalers need to make stronger commitments
    - Forward contracting would help
    - Organic producers need to become more business-like [professional] in how they operate

10. Which of these components are not available now and you would use if available?

- harvesting
- post-harvesting (sorting, cleaning, grading, packing)
- cooling/refrigerating
- transporting
- central distributing
- marketing/access to markets
- All of these components would make a difference and are also necessary. If they were available it would provide a huge incentive for farmers to go organic! Then there would be no reason not to!

11. What are your highest priority distribution infrastructure needs? Top 3 picks?

- First: Marketing—buyers are a must.
- Second: Post harvest handling/cooling needs to assist. [This is a potential business opportunity]
- Third: Transportation that is cost effective
- In the end all three aspects have to work well: the chain is only as strong as the weakest link. Market -- Transportation – Farm = Three overlapping circles.

12. What form of ownership makes the most sense to you?

- Cooperatives are not suitable because individuals are too busy to become really involved so either consensus is very difficult or a few individuals with lots of time take over.
- Marketing associations work better because they have staff that is committed yet at the same time accountable to the farmers.

13. What form of financial assistance matters the most to you?

No specific responses to this question

14. What one thing would be most helpful to you?

- Committed buyers

- An effective organizational structure for people to plug into (One where all the pieces are there).

15. Other comments (round robin)

Louis had the "wild idea," as he called it, to try and get an organization like Wild Oats to set up shop somewhere like Springfield and have them solve the problem using all the expertise available to them. (Others felt that this is not likely to happen, because such organizations do not usually undertake ventures that hold as much risk as this one would.)

E. SUMMARY QUESTIONS

1. Which of the components of this regional distribution system are most important to you?
    a. All are necessary

2. What threats/difficulties do you foresee in establishing and utilizing this distribution system?
    a. "If we build it they will come!" Therefore: it is necessary to build clear definitions of what "local" and "family farm" mean.
    b. If a system is not created, then local organics will not thriveWhat advantages/opportunities do you foresee in establishing and utilizing this distribution system?
    c. Consumers are showing an increasing interest in food with a story: local, organic, bioregion
    d. An opportunity exists to link food producers values to consumer values
    e. An opportunity is available to link financial implications of local organic on local economies (It keeps money in the community/region)
    f. Urban-Rural links can be developed

SUSTAIN LOCAL ORGANIC INITIATIVE
DISCUSSION GROUP

OCIA – ANNUAL CONFERENCE
SPRINGFIELD, ILLINOIS
MARCH 10, 2004

NOTES

MODERATED BY:
MICHAEL HOLDREGE

DISCUSSION GROUP PARTICIPANTS

Ron Ackerman	RR Box 123 B; Chenoa, IL 61726	Farmer
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Jon Klingenberg	13138 Witt Dr.; Butler, IL 62015	Farmer
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Stan Schutte	RR 1, Box 122A; Stewardson, IL 62413	Farmer
Sister Mary Virginia	Fraternite Notre Dame	Baker
Sister Mary of the Gospel	Fraternite Notre Dame	Baker
Karen Kinstetter	N 5364 Hemlock Lane; Kewaunee, WI 54216	Farmer

DISCUSSION SUMMARY

Introduction: The discussion at the OCIA Annual General Meeting centered on the value chain for locally grown organic food that extends from farmer to consumer. As the following indicates, that chain is currently supported by little or no infrastructure.

Post Harvest Handling. Post Harvest Handling--in particular the rapid lowering of the core temperature for most produce soon after picking--was described as an area where little expertise (know-how) exists among vegetable producers at the level of the family farm. Neither the awareness of the critical need to lower the core temperature soon after harvesting, nor the training and equipment required to do this effectively, are found today on most small farms in central Illinois.

Trucking. One major hurdle for organic growers is the almost complete absence of trucking dedicated to organic food. Although refrigerated trucks may be available, they are usually "contaminated" by non-organic product, which necessitates that the vehicle be decontaminated before use, as is specified in the regulations for "certified organic" goods. When the idea of outsourcing this task to an organization such as UPS or FedEx was brought to discussion, those present showed considerable interest in exploring that possibility.

Central Drop-Off Points. Similar to the dearth of trucking, central drop-off points for mid-state organic farmers are almost nonexistent.

Packing Standards. When it comes to dealing with wholesalers or retailers, OCIA growers also expressed frustration at the lack of clear communication and guidelines regarding packing expectations and/or standards. If such matters were laid out clearly and consistently, producers would be glad to orient on them and set up their packing systems accordingly.

Middlemen. The role of middlemen in moving food from farm to consumer was discussed from an economic perspective at the annual meeting. Although one participant felt that too much profit was going to such individuals, others noted that—when the job is done well—they perform an important function that serves both farmer and customer and therefore deserves to be fairly remunerated.

Farmer Training. In general, training possibilities for organic farmers are few and far between. "Organic Day" at the MOSES conference in Lacrosse, however, was praised as a welcome help

for those just beginning to farm organically, even though much more assistance is needed to augment that fine starting point.

Primary Issues. At the conclusion of our discussion, the participants were asked if they could identify three primary issues that needed addressing before all others. Interestingly enough, they condensed three issues into two.

I. Lack of Infrastructure. Discussants at the OCIA Annual General Meeting felt that the various weak points along the value chain–post harvest handling, packing standards, trucking and drop off points–should all be seen together as a striking lack of infrastructure for organic family farmers in central Illinois.

II. Marketing and Consumer Awareness. The other primary issue they saw was the importance of educating consumers, few of whom–they felt–have learned to see beyond price as the only or primary factor that influences their buying decisions. Organic food is about quality, about adding value to what human beings feed to themselves and their children. This value needs to be seen as important and worth paying more for (within reason). Participants considered marketing to be a valuable and effective tool in this education process. The farmers at the OCIA conference felt that strong and effective marketing strategies would provide significant benefits to organic farms throughout the state of Illinois.

SUSTAIN LOCAL ORGANIC INITIATIVE

REGIONAL PLANNING FORUM
APRIL 9-10, 2004

NOTES

PREPARED BY:
CHARLOTTE FLINN
JIM SLAMA
SUSTAIN

A. Discussion groups were held in the morning to assess regional needs and issues in these key areas:
   1. Access to Capital
   2. Distribution Infrastructure
   3. Marketing Assistance
   4. Public Policy
   5. Public/Private Partnerships
   6. Technical Assistance

B. The following outline was provided to guide the discussions:
   1. What reasonable regional goals do we want to set? What do we want to accomplish?
      - short term
      - longer term
   2. What is the current situation?
   3. What are the issues we face?
   4. What are the opportunities for change?
   5. What actions could we take?
   6. What constraints or obstacles might we encounter?
   7. What recommendations do we want to make?
   8. Next steps are…..

C. Key points of these discussions were presented the next morning in the following format:
   1. Discussion Group Topic
   2. Presenter

3. Goals
- Short Term, 1-2 Years
- Longer Term, 10 Years

4. Key Issues
5. Recommendations/Next Steps
6. Immediate Action Step

D. Group Presentations

GROUP 1: ACCESS TO LAND AND CAPITAL

PRESENTER: GEORGE BIRD
MICHIGAN STATE UNIVERSITY

1. GOALS

1 to 2 Years

a. Perform research to define problem
   - Frame the issue
   - Provide specific analyses by geographic area and production sector for potential and current farmers
   - Involve stakeholders, growers from start
   - Finish by 2006

b. Research profitability of alternative agriculture such as CSA's (case studies). Banks need to know—proof of banks.
c. Land grant universities create lending criteria or guidelines for alternative agriculture to be used by lenders.
d. Extension can coach alternative agriculture about preparing documents for lenders (UI Farm.doc)
e. Universities purposefully educate production students about marketing and finding capital (interacting with banks).
f. Universities hire master farmers to teach students to learn about practical production, marketing, etc.; part-time lecturers.
g. Universities research creative land tenure arrangements (case studies) and provide reports and possibly clearinghouse for farmer use. Community land for farms.
h. Provide service that links farmers and land owners, such as in g above.

10 Year Goals

a. More farmer-friendly land use policies.
b. Banks lending money to farmers in the middle.
c. Extension includes 50% farmer consultants.

2. KEY ISSUES

   a. Land is very expensive near cities and customers.
   b. Renting of land may be only major option.
   c. Role of federal subsidies in raising cost of land.
   d. Difficulty in borrowing money to do alternative agriculture.
   e. Farm credit system as source of capital.

3. OBSTACLES

   Banks do not view alternative agriculture as a profitable area.

4. RECOMMENDATIONS

   a. Work with regional planning organizations to implement or develop farmer-friendly land use policies.
   b. Create regional set of farmer advocates that can be called on for testimony.
   c. Find speaker for July North Central Deans meeting which has theme of Land Grant Universities in Urban America to discuss local food systems issues.

5. IMMEDIATE NEXT STEP

   a. Get small grant ($20K?) to sustain this study.
   b. Helene Murray: Get business plan; individuals step up to take the initiative.

GROUP 2: PROCESSING AND DISTRIBUTION INFRASTRUCTURE

PRESENTER: STEVE STEVENSON
UNIVERSITY OF WISCONSIN

1. GOALS

   <u>1-5 Year Goals</u>

   a. A business plan will be put in place to increase the processing and distribution of organic and complementary foods in the Chicago foodshed by two-fold in two years (3% to 6%) and by four-fold in 5 years (from 3% to 12%).

   10-Year Goals

   a. Twenty-five percent of Chicago's organic market (in all sectors) will be supplied by farmers and food processors in the Chicago foodshed.
   b. Small and midsize farms in the Chicago foodshed will be able to get products to market in profitable ways…with the result being a 25% increase in farms-of-the-middle in the Chicago foodshed.

2. KEY ISSUES
    a. Much of the current food processing and distribution infrastructure for organic/regional food is either non-existent, ill-fitting, or offers low rewards to small and midsize farms in the Chicago foodshed.
    b. Some distribution models do exist in the country that might productively be adapted for the Chicago foodshed, e.g. Red Tomato (Northeast), Organic Valley (national), and HomeGrown Wisconsin (upper Midwest).
    c. By thinking out of the box, new distribution opportunities may be identified, e.g. "front or back hauling" by non-food trucks going to and coming from Chicago, or contracting with "third party" distributors like UPS.

3. RECOMMENDATIONS
    a. Land grant universities should place high priority on monitoring and evaluating the strengths and weaknesses of piggy-backing on existing distribution systems versus creating new ones.
    b. A task force of land grant and non-profit persons should put together a "tool kit" containing key issues/questions that farmers should ask as they explore/evaluate food distribution structures.
    c. Land grant universities should develop "quick and easy" testing methods to certify the "quality" of food products moving through distribution systems in the Chicago foodsheds.

GROUP 3: MARKETING ASSISTANCE

PRESENTER: JIM RIDDLE
UNIVERSITY OF MINNESOTA

1. GOALS:

<u>1-2 Year Goals</u>

a. Build a base of practical market intelligence.
b. Identify players in attribute marketing system.
c. Network players.
d. Get land grant universities to take on vision of attribute marketing.
e. Mobilize society support.

10-Year Goal

a. Create context for adoption of a three-tier food system: 1) Direct, 2) Attribute, and 3) Commodity.

b. ***Food System Vision FOR THE FUTURE***

Flexible, diversified, ecologically sound, sustainable, profitable (for farmers), consumer-responsive, maximum choice.

2. KEY ISSUES

a. Cultural/social constraints.
b. Farmer/consumer disconnect.
c. Current standardized processing based on speed, efficiency, large volume.
d. Regional differences exist.
e. Change from "broadcast" marketing to "conversation" marketing.
f. Growing sophistication by consumers regarding food.
g. Growing number of immigrants, both farmers and ethnic food.
h. Obstacles to organic transition and certification.
i. Opportunities exist for the middle.
j. $37 billion USDA to commodity subsidy.
k. Mobilize public support for "attribute" marketing
l. Take message home to policy makers.

3. RECOMMENDATIONS/NEXT STEPS

a. What are the top value-chain products currently responding to the market.
b. How could land grants respond?

4. IMMEDIATE NEXT STEP

Land Grants and NGO's will

- Mobilize public support for Land Grant Mission to provide attribute marketing assistance.

GROUP 4: PUBLIC POLICY

PRESENTER: MIKE HAMM
MICHIGAN STATE UNIVERSITY

1. GOALS

<u>1-2 Year Goals</u>

a. Tap into six-county water study (Wes Jarrell).

b. Sit down with deans and talk about this.

10-Year Goals

a. Public resources and policy promote a successful regional organic food production, processing and distribution system for the Midwest, including the Chicago region.
b. Both regional organic and other differentiated value chains promote organic and ecologically sound scale diversity and lead to goal a (above) in farms of medium size.
c. Policy supports institutional purchase of local….
d. Federal farm policy has transitioned from commodity payments to multi-functional agricultural support.
e. Justice Department actively prosecutes monopsony.
f. All legislators in 6 states actively support fully implemented conservation security program: land grant, law schools, NGOs, state ag departments.
g. All states have the ability to use EQIP funds to provide organic transition incentive payments, a la Minnesota.
h. Continued support for national organic certification costshare, and states actively implement/activate Midwest customers to "lobby."
i. Relationships developed between public health and ag to help farmers success on a number of fronts.
j. Governor in each state establishes a food policy council that embraces the broad constituency.
k. Modify base acre penalties for moving C/S/W procedure.
l. Policies that provide liability protection for organic and other non-GMO producers from GMO contamination.
m. Land grants form "working groups" to engage in stakeholders around research needs to support/develop above policies.
n. Land grants develop intra- and interstate MOV's to collaborate and share resources.

2. KEY ISSUES

a. Profitability of farming.
b. Current budget situation will not support state quo.
c. Public increasingly not supporting farm policy.
d. Public health and obesity center state.
e. Global community increasingly disenchanted with U.S. farm policy.
f. Oil situation could exacerbate.
g. Visible environmental degradation by ag (150 dead zones in the world).
h. Farmland being developed at rapid rate—increasing desire to preserve land→ could be more in public eye.
i. Food service industry concern could create new coalition within industry for change.

j. Study of job creation potential in community.
k. Ongoing food safety issues.

3. RECOMMENDATIONS/NEXT STEPS

a. Minnesota and Wisconsin get language to use EQIP funds
b. Link/incorporate agriculture with health issues.
c. Land grants have groups that work on policy; develop working group to address initiative.
d. Form/support state food policy councils

4. IMMEDIATE ACTION STEPS

GROUP 5: PUBLIC/PRIVATE PARTNERSHIPS
PRESENTER: DAVID KONRAD
PRAIRIE CROSSING

1. GOALS

<u>1-2-Year Goals</u>

a. Create an environment in public organizations where partnerships with private stakeholders are SOP.
b. Significantly expand farmer development and training programs in public and private sectors.
c. Formalize relevant outreach, research and education programs in diversity and make them a priority.

<u>10-Year Goals</u>

a. Well-financed farmer development and training organizations and programs able to meet demand for services.
b. University Extension that can serve the educational needs of the sector.
c. Formal relationship between universities and "master farmers" that pays them for educating students and other farmers in courses, workshops and on-farm.

2. KEY ISSUES:

a. Not enough funding available to support these kinds of efforts.
b. Linkages not strong enough between public groups and private groups.
c. <u>Examples of Existing Partnerships:</u>

- Univ. of Minnesota: Immigrant farmer training program. University partnering with non-profit organization.
- Univ. of Illinois: FarmDirect: University works with non-profit group on directory of locally produced food.
- Univ. of Illinois: On-farm research projects. Assistance with farmer-based questions.
- Practical Farmers of Iowa: Farm research and other activities.
- Univ. of Minnesota: Regional sustainable partnerships.
- CRAFT: Angelic Organics farmer training.
- Univ. of Illinois: Community-based learning courses, "The Chicago Food System: Diet, Hunger, and Sustainable Agriculture." Non-profit partners in Chicago.
- Land Stewardship Project in Minnesota: Intern program.

- Michael Fields Ag Institute: Farmer training.
- Examples from Michigan, Indiana, Iowa?

3. RECOMMENDATIONS/NEXT STEP

a. On the lack of funding issue—started talking about creating advocacy groups, realized there were groups in place that needed more support on both the state and federal levels. E.g., IL Sustainable Food Policy Council, Campaign for Sustainable Agriculture.
b. Proceed on the plans of the Extension Organic Task Forces and expand their scope to include other value chains attributes.
c. Find ways to quickly identify and fund the expansion of the training efforts that are currently available: CRAFT, Michael Fields Advanced Veg. Production Workshop. Formalize and finance UpperMOSES—Organic University.
d. Farmer Networks: Identify sustainable farmers, get certifiers to cough up lists.
e. Very loud public recognition of the best sustainable farmers.

4. IMMEDIATE ACTION STEP

a. Collect data on farmers.
b. Create list of supporting organizations.
c. Post list on land grant university websites.

GROUP 6: LOCAL ORGANIC FARMER DEVELOPMENT/TRAINING

PRESENTER: WES JARRELL
UNIVERSITY OF ILLINOIS

1. GOALS:

10-Year Goals

a. Have base of organic research at universities that can be used by extension/educators.
b. Match percentage of acreage in organic research and education to percentage of sales of organics paralleling growth rates 10 years out.
c. Have extension teams to work on organics rather than one specialist (who is isolated).
d. Have identifiable people at universities can discuss organics–eventually **all** can address organics.
e. Business planning and marketing are skills of educators.
f. Growers are 50% of extension team.
g. One business school in region has business school for sustainable agriculture/organic farming.
h. One in every state of a university-farmer-non-profit partnership to do farmer development training.
i. County level Technical Assistance for organic food and farming systems (from USDA).
j. At least 20% increase in organic farmers for next ten years, rural and urban.
k. Meet organic demand with local, small farms "ag in the middle" plus urban agriculture.
l. All undergrads learn about organics; maybe high school, junior high.

2. KEY ISSUES

a. Demand outstripping supply for product–local, fresh, organic, enhanced nutrition and taste.
b. Low and decreasing supply of farmers (organic).
c. Traditional trainers of farmers are not comfortable with organics (don't know or are biased).
d. Land grants and potential audience are disconnected.
e. Methods of teaching outdated.
f. Organics is more systems based, so traditional input-output approach doesn't work.
g. Tenure stream issues—few universities with tenured faculty in this field (only 1 in 4 Midwest states: Prof. Kathy Delate at Iowa State).

h. Limited and declining state funds and possibly federal line-item funds in land grants; greater need for private foundation and individual sources of funds for research, extension and development.
i. Entrepreneurship/marketing skills more required for non-commodity growers and land grant don't always teach these skills well if at all at this scale.
j. Technical Assistance is major activity; no organics there.
k. Lack of federal recognition that organics is important; this is changing, in some cases relatively rapidly.

3. RECOMMENDATIONS/NEXT STEPS

a. Identify existing models/programs that meet this type of requirement.
b. Develop core competencies for organic farmers.
c. Evaluate tenure process/rewards for organic research/extension/teaching in organics.
d. Organic and food system seminar for regional Dean gathering.
e. Revise state-based extension goals to include our 10-year goals.
f. Propose that university extension focus a significant amount of its resources on organic and local/fresh food systems.
g. Identify training and Technical Assistance needs for growers wanting to sell to Chicago markets.
h. Expand MOSES TOT from Iowa, Minnesota, and Wisconsin to more states.
i. Double (or initiate) the organic research acreage and research stations (working with farmers).
j. Reward farmers for research and training (collaboration between universities and farmers).
k. Create clearinghouse for access (purchase, rent, share) appropriate equipment.
l. Clarify organic rules and ease implementation (i.e. certified organic compost production).

4. IMMEDIATE ACTION STEP

a. Wes follows up with Garfield Park initiative/project.
b. Create list of models.
c. Develop core competency list.

5. EXCHANGE OF DATA

Many of the participants offered valuable references to studies, reports, websites, etc. Please send all such data on to me so that we can create a central resource for continuing work together.

SURVEY INTERVIEW DATA

Survey Development

Charlotte Flinn, LOI Project Manager, developed the surveys in collaboration with the LOI Project Team and selected focus groups. The LOI Project Team is composed of individuals with expertise in organic farming, organic food distribution, food retailing, food systems development, supply chain management, restaurant management and environmental advocacy campaigns. Project team members assisted in drafting survey questions within their respective areas of expertise. Several team members prior to approval reviewed final drafts. Focus Group I participants selected from the Food Safety Summit were involved in framing questions and in ordering the areas of inquiry for the survey.

Survey Implementation

All surveys were mailed and accompanied by a stamped envelope with return address. Survey responses remain confidential.

Target Population

The feasibility study team created surveys for three target populations within the state of Illinois: 1) Illinois farmers, 2) retail buyers, and 3) chefs/proprietor chefs.

A. FARMERS SURVEY

1. Three distinct populations were surveyed: certified organic growers, members of the Illinois Specialty Growers Association, and farmers market growers and producers.

a. *Certified Organic Growers.* For surveying purposes, the LOI was able to procure membership lists from certification agencies, which inspect and certify organic farms annually. The LOI contacted 13 agencies directly to request lists of certified growers. Only three of these had members in the State of Illinois. These three agencies provided us with the addresses of 96 organic growers, as indicated in the table below. The table indicates which certification agencies assisted us with Illinois contacts and the number they provided.

CERTIFICATION ORGANIZATION	CONTACTS PROVIDED
OCIA International	83
Midwest Organic Services Association	10
Oregon Tilth	3

USDA data shows 108 certified organic growers in the state of Illinois for the year 2001. Our survey reached almost 90 percent of that total.

b. *Farmers Market Growers and Producers.* Farmers markets served as our second source of respondents. Jan Thomas of the Illinois Stewardship Alliance personally delivered 25 surveys to farmers at their market stands. In others cases, we contacted farmers market administrators and requested that they pass the survey on to their membership. Seven of the 14 that we attempted to contact assisted us in this effort. We mailed 194 surveys to market administrators in this context. Participating organizations are listed in the table below.

FARMERS MARKET	**NUMBER OF SURVEYS SENT**
Lincoln Park Chicago Farmers Market	70
Wilmette Farmers Market	60
Evanston's Farmers Market	35
Jacksonville Farmers Market	20
Oak Park Farmers Market	6
Carbondale Farmers Market	2
Springfield Old Capital Farmers Market	1
TOTAL SURVEYS SENT	194

c. Illinois Specialty Growers. Sustain partnered with the Illinois Specialty Growers Association on this project. They have mailed surveys to 250 specialty growers in the State of Illinois.

2. Study Objective: to determine the current status of conventional and organic agriculture in Illinois; to identify potential providers of organic products for this market; to assess infrastructure in place and/or necessary to support an Illinois–based full distribution and marketing system.

3. Study Instruments:
   - Written surveys
   - Telephone calls to farmers markets administrators

4. Methodology:

   250 surveys were sent to Illinois Specialty Growers; 96 surveys were sent to identified Illinois certified organic growers; a total of 346 surveys were distributed; 64 responded to date representing 18.5% of total.

   194 surveys were sent to market administrators to be distributed to farmers market participants. 50 additional surveys were handed out at Chicagoland farmers' markets by feasibility study team members; total of 244 surveys distributed; 5.3% of total responded to

date, not representing a significant statistical sample. Responses may be considered of interest.

Basic data were collected through a written questionnaire completed and returned to the study team. Small quantities were personally distributed and discussed with growers at farmers markets.

Sample responses are as follows:

a) Illinois Growers – (Specialty)

30% identified economics/profitability/price premium as the primary reason they farm organically; 25% identified environmental values as the secondary reason.

The following were seen as the biggest problems in producing and selling organic products:

Need for training and transition support (38%)

Lack of marketing support (33%)

Lack of distribution infrastructure (30%)

Of those distribution components currently missing, they were most interested in the following:

Product sales and marketing (25%)

Transport/trucking (23%)

Warehousing/refrigeration (20%)

Technical services (17%)

42.5% would use publicly supported marketing and a local distribution system if it were available to them.

58% said they would participate in a “Family Farmed in Illinois” labeling system.

b) Market Growers – (Farmers Markets)

46% of market growers indicated strong interest in publicly supported marketing assistance and a local distribution system for organic food.

The following represent responses to the survey question "What components of a local distribution and marketing system would you use that is not currently available to you?"

7.7% indicated "Post harvest handling"
15.4% indicated "Processing and packing"
15.4% indicated "Warehousing/refrigeration"
15.4% indicated "Transport/trucking"
31% indicated "Product sales and marketing"
15.4% indicated "Technical services"

5. In Their Own Words

Selected responses and comments to survey questions:

"We have been organic for 16 years."

"Raising more vegetables provides better profit but more labor. So we would move more slowly in increasing production."

"Would love to sell organic pork. Now can't find market for more than a handful; could raise 2-3 thousand if there was a need (market)."

"If a grower could have one or two organic specialty crops – and still grow traditional ways – that would work!"

"I had an order for 800 lbs of edamame to be sold in New Jersey, not in the [39]Chicago area. I could not deliver. We have no terminals and no way to get fresh produce to the terminals. We need help and fast! I could not find a truck to rent in central Illinois."

FARMER SURVEY

This survey is part of a study to determine the feasibility of an economically viable local organic distribution system that would support the market for locally grown organic food in Illinois. The market for organic food is currently assessed at more than $300 million and growing. Conducted by Sustain's Local Organic Initiative and funded by Chicago Community Trust, Illinois AgriFIRST, The Lumpkin Family Foundation and the USDA's Federal State Marketing Improvement Program, results of this study may serve as an opportunity to generate public support for the farmers and growers in this area wishing to supply this market.

As an Illinois producer, you have been selected to participate in this study, and your responses to this survey will help us to assess:

- current status of conventional and organic agriculture in Illinois
- potential providers of organic product for this market
- infrastructure in place and/or necessary to support an Illinois-based distribution and marketing system.

This brief survey will take about 5 - 10 minutes of your time and will make a critical contribution to the overall project.

Please return the completed survey to Sustain in the enclosed self-addressed stamped envelope by OCTOBER 15, 2003.

Be assured that all survey data will be anonymous and confidential and relevant study data will be shared with participants.

THE FARMER SURVEY

Please fill in the blank or circle the number that best represents your operation, interest or opinion.

1. What is the size of your farm? How many tillable acres are you currently farming?

   _____

   What percent owned? _____

2. Are you considering expanding your farm size? _____
   1. Yes
   2. No

3. Circle the category that best describes your ownership or association.
   1. Independent Farm/Owned and Operated
   2. Community Supported Agricultural Farm (CSA)
   3. Leased
   4. Other _____

4. Select the product category that best applies to your farm. (circle all that apply)
   1. Vegetables
   2. Dairy & Dairy Products
   3. Grains, Beans & other Commodities
   4. Chicken & other Poultry
   5. Beef, Pork & other Cattle
   6. Flower & Ornamental Crops
   7. Fruits
   8. Nuts

5. Circle the financial category that best describes your operation.
   1. Profitable
   2. OK, just covering expenses
   3. Not OK, not covering expenses
   4. Other _____

6. Circle the method that describes your current farming.
   1. Conventional
   2. Transitional to Organic
   3. Organic
   4. Mixture % Organic_____

7. If organic, are you
   1. Organic, not certified
   2. Certified Organic, USDA's National Organic Standards
   3. Mixture % Certified_____

8. If organic and not certified, do you plan to be certified?
   1. Yes
   2. No

   If yes, what do you see as the major benefit?
   _____
   _____
   _____

   If no, what do you see as the major limitation?
   _____
   _____
   _____

9. If you are a conventional farmer, would you use assistance to transition to organic?
   1. Yes
   2. No

10. If yes, what assistance would you use? (circle all that apply)
    1. Crop selection
    2. Soil fertilization & management
    3. Weed & pest control
    4. Post-harvest handling
    5. Animal husbandry
    6. Transition economics (cost of materials, time, labor, etc.)
    7. Greenhouses/seasonal extension
    8. Other _____

11. What information sources about organic farming are you most likely to use? (circle all that apply)
    1. Illinois Dept of Agriculture
    2. University Academics
    3. Extension Agents
    4. Agricultural Consultants
    5. Organic Certification Agencies
    6. Other Organic Farmers
    7. Periodicals and Journals
    8. Internet

9. Other _____

12. When do you deliver your products to market?
1.Seasonally
2.Year-round
3.Varied

13. What distances from your farm are your products primarily sold?
0 – 50 miles
51 – 100 miles
Over 100 miles
What % sold in Illinois? _____

14. If organic, why do you farm organically? (circle all that apply)
1. Economics/Profitability/Price Premium
Environmental Values
Quality of Life Values
Health Benefits
Under Contract
Other_____
_____

15. If not organic, what would influence you to consider farming organically? (circle all that apply)
1. Economics/Profitability
Access to New Markets
Availability of a Distribution System
Health & Environmental Benefits
Other_____
_____

16. What components of a local distribution system are you currently using? (circle all that apply)
1. Post Harvest Handling
   a. on-farm
   b. off-farm
2. Processing and Packing
   a. on-farm
   b. off-farm
3. Warehousing/Refrigeration Service
   a. owned
   b. not owned
   c. on-farm
   d. off-farm
4. Transport/Trucking Services

a. owned
b. not owned
5. Product Sales and Marketing
6. Technical Services
7. Other _____

17. What components of a local distribution and marketing system would you use that is not currently available to you? (circle all that apply)
1. Post Harvest Handling
2. Processing and Packing
3. Warehousing/Refrigeration
4. Transport/Trucking
5. Product Sales and Marketing
6. Technical Services
7. Other _____

18. How do you market your products <u>directly</u> to the consumer? (circle all that apply)
1. Farmers' Markets
2. Community Supported Agricultural Farms (CSA's)
3. On-Farm Sales
4. Catalog/Mail Order
5. Internet
6. Other _____
7. None

19. How do you market your products to retailers? (circle all that apply)
1. Natural or Health Food stores
2. Specialty supermarkets such as Whole Foods
3. General supermarkets such as Dominick's, Jewel
4. Restaurants
5. Other _____
6. None

20. How do you market your products to wholesalers? (circle all that apply)
1. Coops
2. Packer/Processors
3. Natural Foods Distributors
4. Supermarket Distributors
5. Restaurant Distributors
6. Distributors such as Sysco, Goodness Greeness
7. Private Elevators
8. Other _____
9. None

21. What percent directly to consumers? _____
to retailers? _____
to wholesalers? _____

22. How are your products labeled or branded? (circle all that apply)
1. With your name and farm
2. Part of an organization (CSA)
3. By the retailer
4. By the distributor
5. Other _____
6. None

23. If you could participate in a system allowing your farm to label products "Family Farmed in Illinois," would you?
1. Yes
2. No

24. What do you consider the biggest problems to producing and selling organic products profitably to the Illinois market? (circle all that apply)
1. Lack of distribution infrastructure
2. Lack of marketing support
3. Training and support to transition to organic
4. Other _____

25. If publicly supported marketing assistance and a local distribution system for organic food were available to you, would you use it?
5. Yes
6. No

If yes, would you increase your production?
1. Yes
2. No

If yes, what percent increase over current production?
1. In 2 years _____
2. In 5 years _____
3. In 10 years _____

If yes, increased production would be:
1. More production of current crops/products
2. New/additional crops/products

If new/additional crops/products, which ones? (circle all that apply)
1. Vegetables

2. Dairy & Dairy Products
3. Grains, Beans & other Commodities
4. Chicken & other Poultry
5. Beef, Pork & other Cattle
6. Flower & Ornamental Crops
7. Fruits
8. Nuts

Thank you for your participation.

Please return the completed survey to Sustain in the self-addressed stamped enclosed envelope by OCTOBER 15, 2003.

Please complete the following contact data so that we will be able to send survey results to you and notify you of opportunities to participate in anticipated distribution and marketing activities.

Name _____ Location (County) _____

Address _____ Telephone _____

_____ Fax _____

_____ Email _____

Other Comments:

_____

_____

_____

_____

_____

_____

_____

_____

Return to: Sustain 920 N Franklin Suite 301 Chicago IL 60610

All survey information will be confidential!

B. CHEFS AND CHEF PROPRIETORS SURVEY

A growing number of chefs in the Chicago area use organic food and actively promote it to their customers. We selected a sample of 90 chefs for this survey. The target market was based on restaurants that currently use some local or organic products, as well as other selected restaurants that may be interested in them.

1. Study Population: Illinois Chefs

2. Study Objectives: To determine the current status of the restaurant market for locally grown organic food in Illinois; to identify potential restaurant providers of organic food for customers in Illinois; to assess infrastructure in place and/or necessary to support an Illinois-based full distribution and marketing system that would be beneficial to chefs and restaurant proprietors.

3. Study Instruments: written surveys and telephone calls to chefs and restaurant managers

4. Methodology:
90 chefs and chef proprietors in the Chicago area were selected who either currently provide organic foods to their customers or are potential providers of organic foods.

Basic data were collected through a written questionnaire completed and returned to the study team. Telephone calls alerted chefs to the mailing and follow up calls supported the efforts to return the surveys.

5. Findings

19 chefs responded representing 21% of the 90 chef/proprietors to whom the survey was mailed.

Sample responses are as follows:

89% of the restaurants purchased organic product that was locally grown.

When asked which types of product had the highest value to them, 47% chose locally grown organic products, whereas 37% considered locally grown product most valuable.

The primary obstacles thereto were price (74%) and availability (68%). 47% also indicated that the lack of a distribution infrastructure for these products presented an obstacle.

The main reason that respondents gave for purchasing locally grown organic product were taste (74%) and to support family farms (74%); 67% felt it was simply “the right thing to do.”

74% purchased organic products from farmers markets; 63% also purchased direct from growers and producers.

When asked which aspects of a local distribution system impacted their purchasing most, 63% emphasized transport/trucking and 53% customer service.

All of those surveyed (100%) expressed an interest in increasing the amount of locally grown organic product they purchase.

All of the respondents (100%) indicated that they would increase their purchasing of organic food if a publicly supported local distribution system were available to them.

84% expected the market for organics in Illinois to increase over the next two years.

74% indicated that their customers supported their efforts to offer locally grown organic food.

6. In Their Own Words

Selected responses and comments to survey questions:

“I would use more products, especially fresh vegetables, if they were available through the winter.”

“I promote organic products to my customers by emphasizing ‘flavor, flavor, flavor.’”

“Organic products represent quality, freshness, integrity and passion.”

“I’m having difficulty finding and purchasing organic produce.”

“Quality and competitive pricing have the greatest impact on my purchasing organic food products.”

THE CHEF SURVEY

Please fill in the blanks or circle the number that best represents your operation, interest or opinion.

19. What is the size of your restaurant operation?
    Number of restaurants owned? _____
    Number of customers served per day in each? _____
    Number of employees in each? _____

20. What is the total annual revenue? _____

21. Circle the category that best describes ownership.
    1. Independent
    2. Independent Proprietor/Chef
    3. Restaurant Chain

22. How many years in business? _____

23. Circle the category that best describes your customer market.
    1. Family
    2. Casual
    3. Fine Dining
    4. Hotel

24. Do you currently purchase and use the following? (circle all that apply).
    1. Locally grown organic products
    2. Locally grown products
    3. Non-locally grown organic products
    4. Conventional food

25. Of the above, which has the highest value for you?
    1. Locally grown organic products
    2. Locally grown products
    3. Non-locally grown organic products
    4. Conventional food

26. How much of each do you purchase?
    1. Locally grown organic % of total purchases _____
    2. Non-locally grown organic % of total purchases _____
    3. Locally grown % of total purchases _____
    4. Conventional food

27. If you purchase organic, what products do you purchase mostly? (circle all that apply)
    1. Vegetables and fruits
    2. Meats and poultry
    3. Dairy and eggs
    4. Other _____

    Which of the above are <u>locally grown</u> organic products?
    1. Vegetables and fruits
    2. Meats and poultry
    3. Dairy and eggs
    4. Other _____

28. Are you interested to increase your purchases of locally grown organic products?
    1. Yes
    2. No
    3. Undecided

29. What do you see as the primary obstacles to increasing your purchases of locally grown organic products?
    1. Convenience
    2. Availability
    3. Price
    4. Lack of distribution infrastructure

30. Do your customers support your efforts to offer locally grown organic products on the menu?
    1. Yes
    2. No

    What would increase your customers' support of such items on your menu?
    1. Identification of farms on menu
    2. Access to local label or brand that identifies purchases from local family farms.
    3. Other_____
       _____
       _

31. Is your restaurant identified with organic products?
    1. Yes
    2. No
    3. Somewhat

32. How do you promote your use of organic products to your customers?

_____
_____
__

33. What is or would be the major reason for your interest to purchase and feature locally grown organic products? (circle all that apply)

1. Customer demand
2. Taste
3. Purity
4. Support local family farmers
5. Marketing/branding/public relations
6. It is the right thing to do.
7. Other top chefs are doing it.

34. From what source do you purchase locally grown or non-locally grown organic products? (circle all that apply)

1. Restaurant Distributors such as Sysco, Goodness Greeness
2. Direct from growers and producers
3. Wholesale markets
4. Farmers' markets
5. Other _____

35. Which components of a local distribution system impacts your purchasing most? (circle all that apply)

8. Customer service
9. Transport/Trucking
10. Product Sales and Marketing
11. Other _____

36. If a publicly supported local distribution system for organic food were available to you, would you increase your purchasing?

1. Yes
2. No

If yes, which component would be most useful to you?

1. Customer service
2. Transport/Trucking
3. Product Sales and Marketing
4. Technical Services
5. Other _____

37. How do you think the market for organics in Illinois will change over the next 2 years?

1. Increase
8.Decrease
9.Stay the same

38. How do you think the market for organics in Illinois will impact your customers' interest in organic items on your menu?
    1. Increase
    2. Decrease
    3. Stay the same

Thank you for your time and thoughtful responses to this survey.

Please return the completed survey to Sustain in the self-addressed stamped enclosed envelope by OCTOBER 15, 2003.

Please complete the following contact data so that we will be able to send survey results to you and notify you of opportunities to participate in anticipated marketing activities.

Name _____ Restaurant

_____

Address _____ Telephone

_____

_____ Fax

_____

_____ Email

_____

Other Comments:

_____

_____

_____

_____

_____

_____

_____

_____

Return to: Sustain 920 N Franklin Suite 301 Chicago IL 60610

ALL SURVEY INFORMATION WILL BE CONFIDENTIAL!

ORGANIC FOOD DISTRIBUTORS

Organic food is sold in a wide range of retail outlets in the Chicago area, from large super markets to small "health food" establishments. For our survey we have selected a sample of approximately 15-20 retail buyers to cover this wide range of offerings, some of which are indicated in the grid below. Due to seasonal time restraints expressed by some retailers, we have postponed this survey until the first quarter of 2004.

GRID OF RETAILERS SELECTED FOR RETAIL BUYERS SURVEY

Large Selection

Low Price, Wide Selection	***High Price, Wide Selection***
Jewel Dominick's	Whole Foods Market Wild Oats (People's)
Low Price	**High Price**
Costco Sam's Club Stanley's	Trader Joes Treasure Island Sherwyn's New Leaf Sunset Foods Grand (Winnetka)
Low Price, Limited Selection	***High Price, Limited Selection***

Limited Selection